



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

2001-06

The required restructuring process for the Romanian Armed Forces: major step toward NATO members

Cotoara-Nicolae, Alexandru.

Monterey, California. Naval Postgraduate School

<http://hdl.handle.net/10945/10887>

This publication is a work of the U.S. Government as defined in Title 17, United States Code, Section 101. Copyright protection is not available for this work in the United States.

Downloaded from NPS Archive: Calhoun



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

**THE REQUIRED RESTRUCTURING PROCESS FOR THE
ROMANIAN ARMED FORCES: MAJOR STEP TOWARD
NATO MEMBERSHIP**

by

Alexandru Cotoara-Nicolae

June 2001

Thesis Advisor:
Associate Advisor:

Robert E. Looney
Peter Frederiksen

Approved for public release; distribution is unlimited.

20010807 030

REPORT DOCUMENTATION PAGE

Form Approved OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY (Leave blank)**2. REPORT DATE**

June 2001

3. REPORT TYPE AND DATES COVERED

Master's Thesis

4. TITLE AND SUBTITLE: The Required Restructuring Process for the Romanian Armed Forces: Major Step Toward NATO Membership

5. FUNDING NUMBERS

6. AUTHOR Cotoara-Nicolae, Alexandru

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)

Naval Postgraduate School
Monterey, CA 93943-5000

**8. PERFORMING ORGANIZATION
REPORT NUMBER****9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)**

N/A

**10. SPONSORING / MONITORING
AGENCY REPORT NUMBER**

11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION / AVAILABILITY STATEMENT

Approved for public release; distribution unlimited

12b. DISTRIBUTION CODE**13. ABSTRACT (maximum 200 words)**

The transformation of the political relations in Europe at the dawn of the 21st Century resulted in deep changes in the concept of security and collective defense.

In the context of NATO enlargement, Romania, like other Central and Eastern European countries, reconsidered its political and strategic position in this new environment, started profound reforms in its security institutions and continues to consolidate the democratic statecraft.

This thesis examines the steps Romania, as an aspiring country, has to complete for the admission into the Alliance. The analysis mainly focuses on the process of defense resource allocation and reorganization of the Armed Forces as requirements imposed by NATO through the concept of the Membership Action Plan. A detailed description of the defense resource allocation process is presented and analyzed against relevant theory on policy analysis and contemporary budgeting systems, in particular PPBS.

The analysis concludes that through the implementation of the new defense resource management system and reorganization of the Armed Forces, Romania can meet its defense needs and become an important military contributor to NATO.

14. SUBJECT TERMS

Reorganization of the Romanian Armed Forces, Defense Resource Allocation Process, NATO Enlargement. New European Security Environment.

**15. NUMBER OF
PAGES**

116

16. PRICE CODE**17. SECURITY CLASSIFICATION
OF REPORT**

Unclassified

**18. SECURITY
CLASSIFICATION OF THIS
PAGE**

Unclassified

**19. SECURITY
CLASSIFICATION
OF ABSTRACT**

Unclassified

**20. LIMITATION
OF ABSTRACT**

UL

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

**THE REQUIRED RESTRUCTURING PROCESS FOR THE ROMANIAN ARMED
FORCES: MAJOR STEP TOWARD NATO MEMBERSHIP**

Alexandru Cotoara-Nicolae
Colonel, Romanian Armed Forces
B.S., Technical Military Academy, 1979

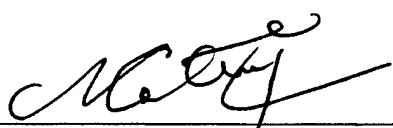
Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN SYSTEMS MANAGEMENT

from the

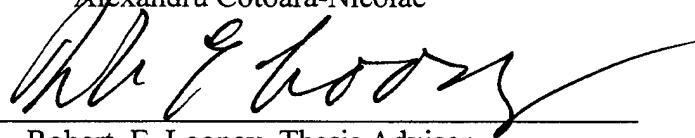
**NAVAL POSTGRADUATE SCHOOL
June 2001**

Author:

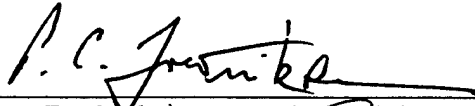


Alexandru Cotoara-Nicolae

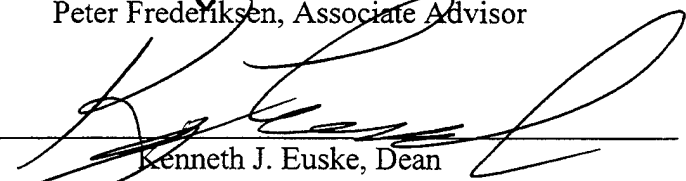
Approved by:



Robert E. Looney, Thesis Advisor



Peter Frederiksen, Associate Advisor



Kenneth J. Euske, Dean
Graduate School of Business and Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

ABSTRACT

The transformation of the political relations in Europe at the dawn of the 21st Century resulted in deep changes in the concept of security and collective defense.

In the context of NATO enlargement, Romania, like other Central and Eastern European countries, reconsidered its political and strategic position in this new environment, started profound reforms in its security institutions and continues to consolidate the democratic statecraft.

This thesis examines the steps Romania, as an aspiring country, has to complete for the admission into the Alliance. The analysis mainly focuses on the process of defense resource allocation and reorganization of the Armed Forces as requirements imposed by NATO through the concept of the Membership Action Plan. A detailed description of the defense resource allocation process is presented and analyzed against relevant theory on policy analysis and contemporary budgeting systems, in particular PPBS.

The analysis concludes that through the implementation of the new defense resource management system and reorganization of the Armed Forces, Romania can meet its defense needs and become an important military contributor to NATO.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	BACKGROUND	1
B.	OBJECTIVES	2
C.	RESEARCH QUESTIONS	2
D.	SCOPE, LIMITATIONS AND ASSUMPTIONS	3
E.	METHODOLOGY	4
F.	ORGANIZATION OF THE STUDY.....	5
II.	OVERVIEW OF THE POLITICAL AND SECURITY ENVIRONMENT IN EUROPE.....	7
A.	COLLAPSE OF THE COMMUNIST REGIMES IN EUROPE AND THE DISMANTLING OF THE WARSAW TREATY	7
B.	A NEW SECURITY ENVIRONMENT	8
C.	NATO ENLARGEMENT	10
D.	REQUIREMENTS FOR FUTURE CANDIDATES	15
III.	ROMANIA'S STATUS AFTER 1989.....	19
A.	UNIQUENESS OF ROMANIA'S CHANGE.....	19
B.	ROMANIA'S ECONOMIC EVOLUTION: 1989-1999	22
C.	ROMANIA'S NATIONAL SECURITY: NATO AS THE ONLY OPTION.....	26
IV.	POLICY ASPECTS OF RESOURCE ALLOCATION PROCESS	29
A.	ECONOMIC ASPECTS OF DEFENSE EXPENDITURE.....	29
1.	Defense as a Public Good	29
2.	Impact of Defense Expenditure on Economic Growth.....	30
3.	Defense as an Economic Problem.....	32
B.	THE DEFENSE POLICY - BUDGET RELATIONSHIP	34
C.	DEFENSE POLICY IMPLICATIONS ON THE RESOURCE ALLOCATION PROCESS.....	35
1.	Readiness	36
2.	Force Structure	37
3.	Sustainability	38
4.	Modernization	38
D.	PUBLIC POLICY ANALYSIS.....	39
1.	Purpose of Policy Analysis	40
2.	Developing Analysis Capacity.....	42
E.	DEVELOPMENT OF BUDGETING SYSTEMS.....	43
1.	Incremental Budgeting.....	44
1.	Performance Budgeting.....	45
3.	Program Budgeting.....	46
4.	Planning, Programming and Budgeting System	47
a.	Fundamentals of PPBS	47

	<i>b. Goal of PPBS</i>	<i>50</i>
	<i>c. Planning</i>	<i>50</i>
	<i>d. Programming</i>	<i>52</i>
	<i>e. Budgeting</i>	<i>53</i>
5.	Management by Objectives	54
6.	Zero-Base Budgeting	55
7.	Implementation and Evaluation of Budget Reforms	56
V.	ROMANIAN DEFENSE PLANNING, DOCTRINE AND POLICIES	59
A.	ROMANIA'S STRATEGIC ENVIRONMENT AND CURRENT RISKS.....	60
1.	Identifying the Risks	60
2.	Romania's Relations with Neighboring States	61
3.	Threat Perception and Force Structure.....	61
4.	Determination of an Acceptable Level of Risk.....	62
B.	MISSIONS OF THE ARMED FORCES.....	63
1.	Strategic Missions of the Armed Forces	63
2.	Missions of the Services	63
a.	<i>Land Forces Missions.....</i>	<i>63</i>
b.	<i>Air Forces Missions</i>	<i>64</i>
c.	<i>Naval Forces</i>	<i>64</i>
C.	ROMANIA'S DEFENSE PLANNING SYSTEM.....	65
1.	National Security Strategy	65
2.	Defense White Paper.....	66
3.	National Military Strategy	67
a.	<i>NMS Principles</i>	<i>68</i>
b.	<i>Goals and Objectives.....</i>	<i>68</i>
c.	<i>Operational Concepts.....</i>	<i>68</i>
d.	<i>Organization, Equipment, Training, Command and Control and Resourcing of the Armed Forces.....</i>	<i>69</i>
4.	Strategic Directives	69
D.	MULTI-YEAR PLANNING SYSTEM.....	70
VI.	RESTRUCTURING THE ARMED FORCES.....	71
A.	THE WAY TO A NEW FORCE STRUCTURE CONCEPT	71
B.	THE FORCE STRUCTURE FOR THE 21 ST CENTURY	72
C.	STRUCTURE AND CAPABILITY PLANNING PROCESS	73
VII.	A FORECAST OF ROMANIA'S DEFENSE EXPENDITURES	75
A.	AN ECONOMIC FORECAST	75
B.	IMPACTS ON ROMANIAN DEFENSE BUDGET	76
C.	DEFENSE BUDGET PROFILE	77
1.	A Steady Increasing Budget.....	77
2.	An Enhanced Steadily Increasing Budget	78
3.	An Optimum Budget.....	78
D.	BUDGET DISTRIBUTION	79
E.	DEFENSE PROCUREMENT ACCOUNT	80

VIII. CONCLUSIONS	81
A. SUMMARY	81
B. RECOMMENDATIONS.....	87
C. FURTHER RESEARCH.....	87
BIBLIOGRAPHY	89
INITIAL DISTRIBUTION LIST	93

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF FIGURES

Figure 1.	PPBS Sequence of Events.....	48
Figure 2.	Answering the Question of National Defense Needs.	74
Figure 3.	Percentage of GDP Spent on Defense.	76
Figure 4.	The Target Budget Balance.	79

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF TABLES

Table 1.	Forecast of GDP.....	75
Table 2.	Steadily Increasing Budget.	77
Table 3.	Enhanced Steadily Increasing Budget.	78
Table 4.	Optimum Budget.....	78

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ABBREVIATIONS AND ACRONYMS

CDR	Romanian Democratic Convention
DMRD	Defense Management Report Decision
DNSF	Democratic National Salvation Front
DoD	Department of Defense of US
DPG	Defense Planning Guidance
DPRB	Defense Planning Resource Board
EAPC	Euro-Atlantic Partnership Council
EFTA	European Free Trade Association
FNI	National Investment Fund
FYDP	Future Years Defense Program
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
IMF	International Monetary Fund
JPAM	Joint Program Assessment Memorandum
MAP	Membership Action Plan
MBO	Management by Objectives
MoF	Ministry of Finance of Romania
MoND	Ministry of National Defense of Romania
NAC	North Atlantic Council
NACC	North Atlantic Cooperation Council
NATO	North Atlantic Treaty Organization
NMS	National Military strategy
NSF	National Salvation Front
NSS	National Security Strategy
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
PBD	Program Budget Decision
PDM	Program Decision Memoranda
PDSR	Social Democracy Party from Romania
PfP	Partnership for Peace
PNL	National Liberal Party
POM	Program Objective Memorandum
PPBS	Planning, Programming, and Budgeting System
PRM	Greater Romania Party
SIPRI	Stockholm International Peace Research Institute
UDMR	Hungarian Democratic Union
USACDA	US Arms Control and Disarmament Agency
ZBB	Zero-Base-Budgeting

THIS PAGE INTENTIONALLY LEFT BLANK

ACKNOWLEDGMENTS

I would like to thank those individuals who provided support throughout the thesis and the entire course.

I would like to acknowledge the assistance of my advisors Professors Robert Looney from the National Security Affairs Department of the Naval Postgraduate School, Monterey, California and Peter Frederiksen from the Defense Resource Management Institute, Monterey, California. I want to thank them for their guidance during the work in performing this investigation. Their knowledge, dedication, and patience have provided me with an example to emulate in the years to come.

I would like to thank both the United States and Romanian governments for the opportunity to study at the Naval Postgraduate School.

I cannot exclude from the list of acknowledgements my family: my wife Mihaela and daughter Raluca whose tolerance and support were essential in completing the course and this thesis.

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

A. BACKGROUND

At the beginning of the 21st century Europe's political and economic order is by no means settled. It is rapidly shifting and Europe is changing in a new political environment. The Cold war is over, the major threats and fears of global war's cataclysms are gone, bringing deep and dramatic changes into the bipolar model of international relationship between the super powers and rearranging the security relations and the existing status quo.

The traditional East-West confrontation and the dividing line in the core of Europe disappeared. At the same time, European security institutions underwent significant changes, the Warsaw Pact was dissolved but NATO unquestionably remained the security and defense framework of Western Europe.¹ NATO as a collective defense institution had to reconsider its traditional strategic operational *raison d'être* and adopt new missions, open its doors for new members, and spread the security umbrella over them.²

As NATO membership and functions increased, it changed from a "latent war community" to something akin to an international regime aimed at collective security. NATO has become an alliance unlike any other. As compared to historical precedents or

¹ Brenner, Michael, *NATO and Collective Security*, p. 249, St. Martin's Press, Inc., 1998.

² Croft, Stuart, Redmont, John, Wyn Rees, G., Webber, Mark, *The Enlargement of Europe*, pp. 22-48, Manchester University Press, 1999.

its own prior experience, criteria for successful integration into the “new” NATO now have little to do with a state’s military contribution or strategic advantage, factors that used to dominate all others.³ Today the principal emphasis is on how a state and its respective army behave.

The Washington Summit posed a serious challenge for the candidates:

We welcome the efforts and progress aspiring members have made, since we last met, to advance political, military and economic reforms. We appreciate the results achieved, and look forward to further progress by these countries in strengthening their democratic institutions and restructuring their economies and militaries.⁴

B. OBJECTIVES

In view of the new approach to NATO membership, this thesis seeks to advance an understanding of the steps that aspiring countries have to complete for admission into the Alliance. The analysis mainly focuses on the process of defense resource allocation and reform of the military organization, but also includes an overview of the political and economic reforms, with a special emphasis on Romania.

C. THE RESEARCH QUESTIONS

This thesis discusses the following questions:

- What are the requirements imposed by NATO for the aspiring states?
- What are the ways to assure national security for the countries that belonged to the Warsaw Pact?
- What is the impact of defense expenditure on economic growth?

³ Nelson, N., Daniel, Civil Armies, Civil Societies, and NATO’s Enlargement, *Armed Forces and Society*, New Brunswick, Fall 1998.

⁴ Washington Summit Communiqué: Issued by the Heads of States and Governments Participating in the Meeting of the North Atlantic Council in Washington, D.C. on 24th April 1999, Available (Online): [<http://www.nato.int/docu/pr/1999/p99-064e.htm>]. 10 March 2001.

- Can defense be treated as an economic problem?
- What are the historical approaches in allocating defense resources?
- Is the American Planning, Programming and Budgeting System (PPBS) a solution for defense resource management?
- Does the amount of resources allocated to defense determine the Armed Forces reorganization process?
- What is Romania doing in preparation for a possible invitation to join the Alliance?

D. SCOPE, LIMITATIONS AND ASSUMPTIONS

This research is concerned with the entire budgetary process, which includes all activities necessary to effectively and efficiently allocate and manage defense resources. Although, a future decision regarding the admittance of new members into NATO may seem to be merely political, the military component still contributes heavily in any analysis of whether a country is invited to join NATO.

In the 1990s, many studies were performed on military spending and organizational reform. The starting point for any such analysis would be to accurately determine a countrys' defense budgets and their yearly expenditures. Traditional sources of military information, the US Arms Control and Disarmament Agency (USACDA), the International Institute for Strategic Studies (IISS), the Stockholm International Peace Research Institute (SIPRI), the International Monetary Fund (IMF), the Military Balance, the RAND Corporation, and the US Department of Defense (DoD), published military expenditures of countries based upon data provided by the countries in question. These organizations have often recognized that the quality of their data suffers and for this reason the accuracy of their analysis is quite low.

In addition, discrepancies between the results of the analysis performed by the institutions previously mentioned are also driven by the use of different definitions, criteria and estimation procedures. In this sense, an example can be the studies performed by the USACDA and SIPRI on African countries. The negative impact of defense spending on GDP growth was about four times greater according to the USACDA data than according to the SIPRI data.⁵

In the case of Romania, as well as for most of the other countries, the official data reported by the Ministry of National Defense (MoND) differed from the data available from the Ministry of Finance (MoF). During the last ten years, Romania went through a large process of restructuring the governmental organization, a process that imposed significant changes in (a) the accounting system and (b) the national budget structure. As an effect of these changes, particular difficulties in finding reliable, comparable long-term series of defense expenditure data must be faced.

The forecast of the Romanian defense expenditures in Chapter VII was elaborated under the assumption of political and security stability over time. Thus, any major change in the political or security environment will probably change the results of the forecast.

E. METHODOLOGY

This paper is composed of seven parts: (a) a review of the events after the end of the Cold War and the dismantling of the Warsaw Pact, (b) an analysis of the current status of the ex-communist states and the way they can meet their security needs in the

⁵ Deger, S. and Smith, R., Military Expenditures and Growth in Less Developed Countries, *Journal of Conflict Resolution*, p. 27, 1983.

future, (c) an analysis of the resource allocation process, (d) identification of NATO imposed requirements on aspiring countries, (e) an assessment of the defense resource allocation and restructuring needs of the Romanian Armed Forces, and finally (f) recommendations for improving military organization reform process. The study is primarily a literature research and a compilation and critical evaluation of the existing approaches on military expenditures and defense planning.

F. ORGANIZATION OF STUDY

This thesis consists of seven chapters following the introduction. Chapter II is an overview of the European political and security environment after the end of the Cold War and collapse of communist regimes. Chapter III presents Romania's situation after the 1989 Revolution. Chapter IV presents an overview of literature on the policy aspects of defense budgeting. Implications of defense policy on the budgetary process are followed by a discussion of the economic implication and the role of policy analysis. The chapter ends with a discussion of the development of budgeting systems and lessons learnt from past implementation of these systems. Chapter V analyzes the defense resource allocation process adopted by the Romanian Armed Forces. Chapter VI focuses on the restructuring process of the armed forces in the context of the implementation of the new resource allocation system. Chapter VII contains a forecast of the Romanian defense expenditures. Chapter VIII summarizes the findings of the thesis and suggests some recommendations for further research.

THIS PAGE INTENTIONALLY LEFT BLANK

II. OVERVIEW OF THE POLITICAL AND SECURITY ENVIRONMENT IN EUROPE

A. COLLAPSE OF THE COMMUNIST REGIMES IN EUROPE AND THE DISMANTLING OF THE WARSAW TREATY

The great political change in Eastern Europe in 1989 shook contemporary international relations. This change had a global historical significance. It started in Poland, spread to Hungary, Bulgaria, East Germany, Czechoslovakia and Romania, overthrew communist one-party dictatorships, and achieved democratization. It demonstrated the vitality of liberty and democracy, destroyed the Berlin Wall, led to the end of the Cold War, and created a new European order.

The final results of these political changes are very difficult to forecast, but some of them are already evident. East Germany has already been absorbed into West Germany. Many of the former communist countries transformed in democracies and introduced market economy and the stock-company system.

The former socialist bloc has been reabsorbed into the capitalist world system as communist and socialist ideology lost their attraction. Liberalism, democracy and the market mechanism but also even capitalism has gained a better image.

In January 1990, in his first State of the Union address, President Bush of the US proclaimed the beginning of a new period of world history as a consequence of "the 1989 revolution in Eastern Europe," and he proposed a new European disarmament initiative.⁶

⁶ Bush, George, *State of the Union Address, January 31, 1990*, Available (Online): [<http://www.interlink-café.com/uspresidents/1990.htm>]. 15 March 2001.

For people in Europe or the United States, it might be natural that this series of political changes was seen as "a series of revolutions," variously called a "self-controlled revolution" in Poland, a "peaceful revolution" in Hungary, a "peoples' revolution" in East Germany, a "velvet revolution" in Czechoslovakia and an "anti-communist revolution" in Romania.⁷

After the democratic revolutions of 1989 in Eastern Europe, the Warsaw Pact became moribund and was formally declared "nonexistent" on July 1, 1991, at a final summit meeting of Warsaw Pact leaders in Prague. Deployed Soviet troops were gradually withdrawn from the former satellite countries, which were now politically independent countries. The decades long confrontation between Eastern and Western Europe was formally rejected by members of the Warsaw Pact.

B. A NEW SECURITY ENVIRONMENT .

The failure of the "real socialism" model, combined with the disappearance of the Soviet Union from the political map, and the end of the Cold War, resulted in profound changes in the international political, economic and security system. Former members of the Warsaw Pact and newly emerging countries were left in a security vacuum. The new players were too weak to face new tensions, political and economic instabilities and security risks. Logically they started seeking guarantees and assurance for a lasting peace, which they can receive only in alliance with the system of collective defense that has already proved its validity. The stage that was set for confrontation needed to be

⁷ Kato, Tetsuro, Japanese Perception of the 1989 Eastern European Revolution, *Hitotubashi Journal of Social Studies*, No.23, 1991. Available (Online): [<http://members.jcom.home.ne.jp/katori/1989.html>]. 15 March 2001.

rearranged and the framework needed to be created for blurring and softening the edges of the interests of the US, Western Europe, and Russian powers in Europe.⁸

These led to the need for establishing a new European security architecture and the reconsideration of existing military institutions. The reconsideration of the military institutions was driven by the intention of the West to promote security and stability in Europe and to expand democratic system and its values.

NATO, surviving this exciting historic time and rapid changes, turned out to be the means for "preserving and extending this European Civil Space" as far as possible in both time and terrain.⁹ However, it was not the only task and dilemma it had to resolve. The elimination of the primary threats in the former bipolar model of international relations had to be reconsidered. The defense capabilities of the organization had to be kept, but re-focused and adapted to the new political environment; i.e. ready to accept new missions ranging from peacekeeping to the prevention of terrorism and organized crime. The fragile and uncertain relations with Russia had to be reconsidered and efforts had to be made to keep Russia in the arena of democratic changes. Thus, from a mainly defense oriented organization NATO became an influential institution with decisively political functions. The last summit in Washington in April 1999 analyzed NATO's achievements, defined its new role and determined some of the future key issues of its long-term agenda.

⁸ Goodby, James, *Can Collective Security Work? Managing Global Chaos*, p. 243, United States Institute of Peace, 1998.

⁹ The US Ambassador Hunter, Roberts, *Enlarging NATO: Reckless or Requisite?* Available (Online): [<http://www.fas.org/man/nato/index.html>]. 20 January 2001.

NATO changed and adapted its internal civil and military structures, reshaped its posture of forces and echelons for combat and peace support operations. In the process, NATO made these units more flexible, capable of addressing multiple tasks and missions with increased operational capability to face the challenges of the 1990s and beyond.¹⁰ The Alliance refined its attitude towards the other nation-states (players in the complex international arena), accepted three new members, and declared its policy of enlargement. NATO's "door remained open" for other nations to join in the future.

C. NATO ENLARGEMENT

The idea of enlargement is not something new for the Alliance. It is a part of the task to promote democratic values and a result of the process of consolidation of democracy on a global scale when an "unprecedented number of countries has completed democratic transitions"¹¹. The legal roots lay in Article 10 of the Washington Treaty where the criteria and procedure for membership, which the founding twelve states created can be seen:

The parties may, by unanimous agreement, invite any other European state in a position to further the principle of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty.¹²

The first step of enlargement started in the years of the Cold War in 1952, with the accession of Greece and Turkey, then the accession of the Federal Republic of

¹⁰ For more information see – The Alliance's Strategic Concept, Approved by the Heads of States and Government participating in the Meeting of the North Atlantic Council in Washington on 23-24 April 1999. Available (Online): [<http://www.otan.nato.int/docu/com/.htm>]. 20 March 2001.

¹¹ Linz, Juan J. and Stepan, Alfred, *Problems of Democratic Transition and Consolidation*, p. 6, The Hopkins University Press, 1996.

¹² NATO Office of Information and Press, NATO Handbook, 1999, Appendix 8.

Germany in 1955 and the accession of Spain in 1982. The historical period gives its military or political explanation to the strategic admission of these countries.

What provokes or makes possible the current wave and the contemporary continuation of the process of NATO enlargement also lies in the historical events of the millennium and in the change of the bipolar political model.¹³ The first attempts to define the attitude of the Alliance toward the new democracies and to introduce the policy of the open dialogue were made in 1990. In NATO's London Summit Declaration the Allies stated:

We today also invite the governments of the USSR, The Czech and Slovak Federal Republic, the Hungarian Republic, the Republic of Poland, the People's Republic of Bulgaria and Romania to come to NATO not just to visit, but also to establish regular diplomatic liaison with NATO. This will make it possible for us to share with them our thinking and deliberations in the historic period of changes. Our Alliance will do its share to overcome the legacy of decades of suspicion.¹⁴

The Allies supported the idea to foster democratic reforms in Europe, peace and stability and to create a better climate for economic growth. The establishment of NACC in 1991 at the summit in Rome, which later in 1997 became the EAPC with a new and extended role, was a logical continuation of their efforts. The US foreign policy initiated the "open door policy" debate and "by late 1990 NATO enlargement has already been considered as follow-on to NACC".¹⁵ Probably the most important step on the way to

¹³ Croft, Stuart, Redmont, John, Wyn Rees, G., Webber, Marl, *The Enlargement of Europe*, pp. 22-48, Manchester University Press, 1999.

¹⁴ NATO Information Service, London Declaration on a Transformed North Atlantic Alliance, July 1990. Available (online): [<http://www.nato.int/docu/comm/c91067a/htm>]. 20 January 2001.

¹⁵ Solomon, Gerald, *The NATO Enlargement Debate, 1990-1997: Blessings of Liberty*, p. 19, Praeger Publishers, 1998.

enlargement was the summit in Brussels in 1994, which launched the initiative "Partnership-for-Peace" (PfP) and confirmation of the expansion to the East as a natural event:

We expect and would welcome NATO expansion that would reach to democratic states to our East, as part of an evolutionary process, taking into account political and security developments in the whole of Europe.¹⁶

The administration of President Clinton offered in 1994 the PfP program, arguing that NATO could not afford to "draw a new line between East and West that could create a self-fulfilling prophecy of future confrontation".¹⁷ It invited all the states from Eastern Europe to join the initiative¹⁸ aiming to create a substitute of a collective security system and to prepare the eventual new members for their admission. The initiative introduced the concrete steps of the new security relationship:

...we will working concrete ways towards transparency in defense budgeting, promoting democratic control of defense ministries, joint planning and creating an ability to operate with NATO forces in such fields as peacekeeping, search and rescue and humanitarian operations...¹⁹

The PfP initiative indicated the goodwill of the NATO members to help the former Warsaw Pact states, including the Soviet Union successors' states, to transform their armed forces and to integrate into Euro-Atlantic values while participating together

¹⁶ NATO, Final Communiqué, North Atlantic Council, M-NAC-2, No. 6, 1 December 1994. Available (Online): [<http://www.nato.int/docu/comm/c941201a.htm>]. 20 January 2001.

¹⁷ Goldgeiger, James M., NATO Expansion: The Anatomy of a Decision, *The Washington Quarterly*, pp. 85-102, Winter 1998.

¹⁸ For more information about the process see Goldgeiger, James M., *Not Whether But When: The US Decision to Enlarge NATO*, Washington, D.C., 1999.

¹⁹ NATO, Declaration of the Heads of States and Governments issued by NAC in Brussels, Belgium, Press Communiqué M-1(94)3, 11 January 1994, Available (Online): [<http://www.nato.int/docu/comm/c940111a.htm>]. 15 February 2001.

in different activities. The initiative promoted democratic civil-military control and called for cooperation and interoperability of the armed forces with NATO member nations' forces. Its long-term objectives turned to be not only military but also political, fostering friendship and stability beyond Europe.²⁰

The former adversaries, in a short time, learned how to work together and to apply the democratic approaches in order to resolve problems and crises of mutual importance. However, at the inception of the PfP in January 1994, the creators of the program shied away from offering the traditional security guarantees to the Partners. The PfP program could not substitute the membership in the organization. The PfP was only able to provide the framework for assessing the states willing to join NATO and a framework for all those nations not willing to join NATO.

The Brussels' ministerial meeting, December 1994, was the next step towards enlargement. The opening of the Alliance to new members was officially announced, but universally valid criteria for accession were not explicitly developed. At this meeting the Alliance decided to initiate a process of examination inside the organization to determine how the enlargement would take place and to develop the principles to guide the process.²¹ The questions "who", "why", "how", and "when" were left without answers

²⁰ Claes, Willy, NATO and the Evolving Euro-Atlantic Security Architecture, *NATO Review*, No.1, January 1995, Available (Online): [<http://www.nato.int/docu/review/articles/9501-1.html>]. 15 February 2001.

²¹ NATO, Final Communiqué, North Atlantic Council, M-NAC-2, 1 December 1994, No.6 Available (Online): [<http://nato.int/docu/comm/c941201a.htm>]. 15 March 2001.

until 1995 when the "Study of NATO Enlargement"²² examined these questions and outlined the principles of admission.

After internal debates about the pros and cons, the Madrid summit in 1997 gave the official answer to the question "who" will be in the first round of new members.²³ The Czech Republic, Hungary and Poland were officially admitted into NATO on March 12, 1999.

The PfP program evolution and the deepening crisis in the former Republic of Yugoslavia led to a further strengthening of the Partners' ties with the Alliance. Nonetheless, for such partners as Bulgaria, Romania and Slovakia, the post-1998 expansion of non-Article 5 aspects of NATO within the PfP does not represent a substitute for the full-fledged guarantee of collective defense enshrined in Article 5 of the Washington Treaty. Hence, the PfP can never supplant the full membership as it is enjoyed by the nineteen NATO nations.

Leading analysts of politics and society in Central and Eastern Europe conclude that these states have identified themselves with the history, culture and politics of the Western tradition. Tragically, the peacemakers in 1945, in a short sighted fashion, forcefully broke these bonds of society and culture and thus disrupted these natural links with the West. The outbreak of the Cold War led to the disappearance behind the Iron Curtain of the subject people of the Soviet system.

²² NATO, Study of NATO Enlargement, Brussels, 1995.

²³ NATO, Madrid Declaration on Euro-Atlantic Security and Cooperation, Madrid, 8 July 1997.

With the end of the Soviet Union hegemony, the ex-communist states sought their democratic roots but the process of democratization is not an easy one. All these states faced political and economic crisis because of a "flattened civic society" and lack of maturity in the "five interacting arenas"²⁴ necessary for the consolidation of democracy. These arenas are the establishment of a civil, economic and political society, the rule of law and a working government. Without ties to the Western European and Atlantic institutions, East European geopolitical space will become a no-man's-land between the West and Russia. The instability in Central and Eastern Europe also will have a negative impact upon the West unless liberal democracies are established in the former "communist" zone. To be economically and politically viable, these states need the European Union, and for security they need the Atlantic Alliance.

D. REQUIREMENTS FOR FUTURE CANDIDATES

The list of the potential member states, which at the Washington summit in 1999 declared their will to join, is still long. The countries applying for membership want to live under NATO's protective umbrella and the security guarantee mostly coming from the US. The membership for them means political self-confidence, being a part of the democratic community of nations, values and institutions. It means stability and security for all countries in the Euro-Atlantic region. However, the candidates, the so-called "have-nots" need the consensus of the members, which means that any new membership is a matter of geopolitical and geostrategic interests, negotiations and political lobbyism.

²⁴ Linz, Juan J. and Stepan, Alfred, *Problems of Democratic Transition and Consolidation*, p. 7, The Hopkins University Press, 1996.

The Washington Summit in April 1999 introduced the Membership Action Plan (MAP), in part to convince the remaining nine aspirants, Albania, Bulgaria, Estonia, Macedonia, Latvia, Lithuania, Romania, Slovakia and Slovenia, that Article 10, the Open Door policy, was not hollow, and in part to assist them in developing forces and capabilities that could operate with NATO under its new Operational Capabilities Concept. The MAP went further than the 1995 "Study on NATO Enlargement" in defining what aspirants need to accomplish on the path to membership. It was designed to incorporate the lessons learned in the accession discussions with the Czech Republic, Hungary and Poland.

The MAP includes submission of a tailored Annual National Plan that covers political, economic, defense, resource, security, and legal aspects of membership; a feedback mechanism through a NAC 19+1 partner progress assessment, a clearinghouse for coordinating security assistance, and enhanced defense planning that reviews agreed planning targets. In fact, the comprehensive MAP program was designed to assess the technical preparations and capacities of the nine MAP partners and judge their readiness for membership.

The Washington summit raises a lot of questions and uncertainties. The organization felt that the enlargement burdens, the intra-alliance relationship and the new members would tend to reorganize the Alliance and its ability to generate consensus. The war in Kosovo was a difficult test for NATO for such defense cooperation. The new tasks were in conflict with the national interests and objectives, and provoked conflicts inside NATO. It was obvious that some of the new members were not prepared for the military

security in NATO, such as Hungary and the Czech Republic. They were especially behind in defense reform and budgeting.

Both members and aspirants must very carefully assess the costs and benefits of the enlargement process. There are many voices against a future accession²⁵ of new members because of existing internal problems in NATO and the new member's own failures will probably slow down the process of enlargement, despite the efforts of the new aspirants. The April 1999 meeting of the North Atlantic Council determined that the next round of enlargement would be taken up at the next summit of the NAC to be held in 2002. The question remains, nonetheless, both in NATO and Partner capitals, of whether there will even be a second round of enlargement. Furthermore, if there is to be such a second round, as policy seems to indicate, then the question of "when" and "who" remain to be answered²⁶, as well. Definitely the choice will be influenced by the political preferences of the national interests of the member states.

The accession of Romania will be influenced by the last international events and the positive aspects emerging out the war in Kosovo, as well as by the implementation of the Stability Pact for Southeastern Europe and the initiation of the accession talks of Romania with the EU. Romania motivates its choice of joining NATO by its willingness to become part of an organization based on the shared values of democracy, individual

²⁵ Kay, Sean, *NATO and the Future of European Security*, p. 103, Rowman and Littlefield Publishers, Inc., 1998.

²⁶ NATO, *An Alliance for the 21st Century*, Press Communiqué NAC-S(99)64, Issued by the Heads of States and Governments Participating in the Meeting of NAC in Washington, D.C., 24 April 1999.

liberty and rule of law, as well as part of a region of stability and security, which only NATO can guarantee.

In achieving this strategic objective, Romania went through a sequence of political and economic reforms in the last ten years. The evolution of Romania during this period of time is discussed in the next chapter.

III. ROMANIA'S STATUS AFTER 1989

A. UNIQUENESS OF ROMANIA'S CHANGE

Romania became part of the "Iron Curtain" midway through the post-Second World War flurry of the late forties and early fifties when a Stalinist regime took over the rule of the country from a monarchy. Yet the country, in some ways, long remained a marginal renegade from the USSR, with significant events including Ceausescu's statements against the Soviet-led invasions of Czechoslovakia in 1968 and Afghanistan in 1979.

By the late 1980s, Ceausescu had transformed Romania into a police state. Institutions and organizations, even the Communist Party itself, had been eviscerated and had become mere instruments for carrying out his will. The Securitate had become the chief prop of his rule. Physical hardship and moral despair overwhelmed society. Yet the Ceausescu dictatorship, which had come to seem unassailable, was overthrown in the course of a single week in December 16-22, 1989. Minor incidents in the city of Timisoara led to violence, which quickly spread to other cities. Ceausescu was forced to flee Bucharest and then was arrested, tried, and executed on December 25. No formal dissolution of the Communist Party took place. It simply melted away.

The Romanian "revolution" of 1989 appears to have been a combination of spontaneous uprising by the general populace and conspiracy against Ceausescu organized by reform communists and disaffected elements of the Securitate. A loose coalition of groups opposed to Ceausescu quickly formed the National Salvation Front

(NSF) to lead the country through the transition from communism to democracy, but, by the spring of 1990, fundamental differences had arisen within this group over the direction and pace of change. Those who favored the removal of all former communists from positions of authority and the rapid introduction of a free-market economy left the NSF. Those who remained, the majority of them former communists, transformed the NSF into a political party that showed little enthusiasm for Western economic practices.

In elections held in May 1990, the NSF won handily, owing in part to its control of the media and in part to the failure of the opposition to mount an effective campaign. The opposition consisted of reconstituted National Peasant and Liberal parties whose programs harked back to the interwar period and seemed foreign to the mass of voters. To counter their anticommunist appeal, the NSF raised the specter of unemployment and inflation, which they claimed would run rampant in Romania if the opposition came to power. They also promised to protect the social benefits put in place during the communist era.

The NSF assumed formal direction of the country with the inauguration of its head, Ion Iliescu, as president on June 20, 1990. An advocate of state direction of the economy before 1989, Iliescu, as president, remained wary of private enterprise and the move to a free market. Disagreement over the pace of economic reform caused the NSF itself to break apart, and Iliescu's supporters formed the Democratic National Salvation Front (DNSF). The DNSF maintained its political dominance, as proven by its successes in the parliamentary and presidential elections held in September and October 1992, in which Iliescu was reelected and his party won the majority in Parliament. A loose

coalition of opposition parties, the Democratic Convention, won a significant number of votes.

The approval by referendum of a new Constitution on Dec. 8, 1991, setting up a democratic republic, had given promise of political stability. In the new conditions, the most intractable problem of all remained the economy. The loss of markets following the collapse in 1991 of Comecon, whose members had taken the bulk of Romania's exports, and an inability to find new markets in Western Europe had catastrophic consequences for an economy already undermined by several decades of mismanagement and inefficiency under Ceausescu. Industrial production declined, prices rose and hard currency reserves fell, whereas privatization in agriculture and industry made little progress. The crisis revived earlier debates about national identity and models of development, as Romanian politicians and intellectuals found themselves once again at a crossroads between the East and West.

After a slow transition process, in 1996, the main opposition coalition, the Romanian Democratic Convention (CDR), won the elections. Its president, Emil Constantinescu became President of Romania, by defeating Ion Iliescu. The new government coalition faced both economic and political crises, as the standard of living of most Romanians decreased or remained unchanged. However, the foreign policy focused on European and NATO integration. Its major success came in December 1999, when Romania was invited to begin negotiations for integration into the European Union.

The collapse of the National Investment Fund (FNI) in June 2000, a series of political scandals, the disillusion of the population with the government, notably for its

handling of the economy and IMF programmes contributed to the dissolution of the governing CDR coalition. This helped the former president Ion Iliescu and his PDSR party to win the elections held in November-December 2000. A new minority government was formed by Iliescu's party, the PDSR. The seats in the Parliament are shared by five parties: PDSR, Greater Romania Party (PRM), National Liberal Party (PNL), Hungarian Democratic Union (UDMR), and Democratic Party.

B. ROMANIA'S ECONOMIC EVOLUTION: 1989-1999

Romania is a country of considerable potential including rich agricultural lands, diverse energy sources (coal, oil, natural gas, hydro, and nuclear), and a substantial, although aging, industrial base encompassing almost the full range of manufacturing activities. In addition Romania has an intelligent, well-trained work force and opportunities for expanded development in tourism on the Black Sea and in the mountains.

In 1993, the economy reached the end of a decline in output that had begun well before the 1989 revolution. The Romanian Government had borrowed heavily from the West in the 1970s to build a massive state-owned industrial base. Following the 1979 oil price shock and a debt rescheduling in 1981, Ceausescu decreed that Romania would no longer be subject to foreign creditors. By the end of 1989, Romania had paid off a foreign debt of about \$10.5 billion through an unprecedented effort that wreaked havoc on the economy. Vital imports were slashed, and food and fuel strictly rationed, while the government exported everything it could to earn hard currency. With investment slashed, Romania's technological infrastructure rapidly fell behind that of even its Balkan neighbors.

Since the fall of the Ceausescu regime in 1989, successive governments have sought to build a Western-style market economy. The pace of restructuring has been slow, but by 1994 the legal basis for a market economy was largely in place. After the 1996 elections, the coalition government attempted to move rapidly and eliminate consumer subsidies, float prices, liberalize exchange rates, and put in place a tight monetary policy. The Parliament has enacted laws permitting foreign entities incorporated in Romania to purchase land and has identified a large number of government enterprises for rapid privatization or restructuring.

Privatization of industry was pursued with the transfer in 1992 of 30 percent of the shares of some 6,000 state-owned enterprises to five private ownership funds, in which each adult citizen received certificates of ownership. The remaining 70% ownership of the enterprises was transferred to a state ownership fund, with a mandate to sell off its shares at the rate of at least 10 percent per year. The privatization law also called for the direct sale of some 30 specially selected enterprises and the sale of "assets", i.e., commercially viable component units of larger enterprises.

Subsidies to loss-making state-owned enterprises continue to be a serious drain on the state budget. Despite delays in privatizing certain large companies, the State Ownership Fund has made progress. Altogether, the private sector now accounts for an estimated 55 percent of the GDP and employs approximately 52 percent of the work force.²⁷

²⁷ Data are derived from series appearing in: IMF World Outlook, US Department of Commerce, Available (Online): [<http://www.fe.doe.gov/international/Romania.html>] 10 Jan. 2001.

The return of collectivized farmland to its cultivators, one of the first initiatives of the post-December 1989 revolution government, resulted in a short-term decrease in agricultural production. Some four million small parcels representing 80 percent of the arable surface were returned to original owners or their heirs. Many of the recipients were elderly or city dwellers, and the slow progress of granting formal land titles was an obstacle to leasing or selling land to active farmers.

An acute shortage of foreign exchange and a poorly developed financial sector have also been obstacles to rapid economic transition. Outside factors such as the collapse of trade with Soviet bloc trading partners, the economic slowdown in the industrialized West, increases in imported energy costs, and large losses from UN sanctions against Iraq and the Former Republic of Yugoslavia, contributed to a precipitous drop in industrial output after 1989. The fact that the Danube River remains blocked from the Kosovo conflict denies Romania an important transportation route for its goods and has further hampered economic recovery.

In 1993, Romania embarked upon a strict adjustment program that showed promising results soon after GDP, which had fallen for three consecutive years, stabilized in 1993 and registered 3.4 percent growth in 1994, 6.9 percent in 1995, and 4 percent in 1996. Since 1997, there has again been a decline in GDP of -6.6 percent in 1997, -7.3 percent in 1998, and an estimated -4.5 percent in 1999. Monthly retail price inflation averaged 12.1 percent in 1993, (the equivalent of 256 percent on an annual basis), but declined to 28 percent in 1995. However, inflation picked up again in 1996 and 1997 due to excessive government spending in late 1996, and price and exchange rate liberalization

in early 1997. Inflation in 1999 hovered around 50 percent. The government has committed itself to reduce the inflation rate by half in 2000.

Subsidies on most basic consumer goods were lifted in May 1993, but support for under-productive and loss-making state-owned industries continues to be a serious drain on the budget. The government nonetheless managed to cut the deficit, which totaled almost 4 percent of GDP in 1992, to only 1.7 percent in 1993. By 1995, however, the budget deficit had again risen to about 4 percent of the GDP. The consolidated deficit, including internal arrearages, climbed to more than 10 percent of the GDP in 1996.

Financial and technical assistance continue to flow in from the U.S., European Union, other industrial nations, and international financial institutions facilitating Romania's reintegration into the world economy. The International Monetary Fund (IMF), World Bank (IBRD), the European Bank for Reconstruction and Development (EBRD), and the U.S. Agency for International Development (USAID) all have programs and resident representatives in Romania. Romania has also attracted foreign direct investment, which in 1997 rose to \$2.5 billion.

Romania was the largest U.S. trading partner in Eastern Europe until Ceausescu's 1988 renunciation of the Most Favored Nation (non-discriminatory) trading status resulted in high U.S. tariffs on Romanian products. Congress approved restoration of MFN status effective November 8, 1993, as part of a new bilateral trade agreement. Tariffs on most Romanian products dropped to zero in February 1994 with the inclusion of Romania in the Generalized System of Preferences (GSP). Romania also signed an Association Agreement with the EU in 1992 and a free trade agreement with the

European Free Trade Association (EFTA) in 1993, codifying Romania's access to European markets and creating the basic framework for further economic integration. At its Helsinki Summit in December 1999, the European Union invited Romania to formally begin accession negotiations.

After years of high inflation, economic decline, and large trade and fiscal deficits, Romania's economy is finally showing signs of recovery. Booming exports are improving the country's precarious balance-of-payments position and encouraging growth. Compared to the previous year, Romania's exports in the first five months of 2000 were up about 27 percent thanks to the depreciation of the Romanian currency (the leu) and an export tax cut.

As a result, despite the severe drought that battered the agricultural sector in the summer of 2000, Romania's GDP in 2000 is expected to grow a very modest 0.7 percent while inflation recedes from 44 to 37 percent. That would mean the first growth in Romania after three years of recession, which included a devaluation of the leu and the country's near-default on foreign debt payments in 1998.

C. ROMANIA'S NATIONAL SECURITY: NATO AS THE ONLY OPTION

The failure of the model of "real socialism", the disappearance of the Soviet Union from the political map, the end of the Cold War, and the dismantling of the Warsaw Pact resulted in profound changes in the international political, economic and security system. The former members of the communist block and newly emerging countries found themselves in a security vacuum. The new players were too weak to face the new tensions, political and economic instabilities and security risks and logically they started seeking guarantees and insurance for peace, which they can receive only in an

alliance with the system of collective defense that has already proved its validity. This one proved to be NATO.

The post-communist evolution of the new democracies in the East has undoubtedly different dynamics, but the foreign policy of Central and Eastern European States is focused on the same strategic objective: integration into Euro-Atlantic structures.

The Romanian approach to this objective exceeds the framework of military interest for defense and security policy. It constitutes a definite option for the values and principles of Western democracy. Therefore, integration into the economic and security structures of the Euro-Atlantic area stands as the fundamental priority of the Romanian foreign policy. It relies on the firm support of the entire Romanian society.

In this respect, all the opinion polls carried out during the last years in Romania by prestigious international and Romanian institutions, reached the same results: integration into NATO is supported to a high degree (more than 70 percent) by the population. Moreover, in spite of the consequences of the Kosovo crisis, the population is ready to accept the costs of the integration into NATO's military structure. The entire political spectrum of Romania reflects the national opinion. All the political forces openly support the efforts made by the government to accede to the North Atlantic Alliance.

This level of support is prerequisite, but it is not sufficient to achieve the objective. The Romanian population and political forces are aware that NATO does not

need new members who ask for security, but allies who are able to contribute to Euro-Atlantic security and stability.

Romania wants to join NATO as a member with all rights and duties, which ensue from the Alliance membership. In this respect it adhered from the very beginning to the principles, objectives and commitments stipulated by the PfP Framework Document, being in fact the first country to sign it in January 1994. Participation in the PfP was seen as a means to pave the way for NATO membership, as well as to address regional security challenges by extending NATO patterns of cooperation.

Instead of being discouraged after the Washington summit, Romania reinforced its decision to join NATO at the earliest opportunity. The motivation in seeking to join NATO remains undiminished: Romania wants to join an organization based on the shared values of democracy, individual liberty and rule of law, as well as to be part of a region of stability and security, which only NATO can guarantee. Membership therefore represents the strategic objective of Romania's defense and security policy.

IV. POLICY ASPECTS OF RESOURCE ALLOCATION PROCESS

The end of the Cold War requires a profound and continuous reassessment of the defense policy. A country cannot be prepared for all kinds of wars, but it must be prepared for at least one. Similarly, a country cannot develop every technological idea but can develop some which then permit the country to keep up in the race of technological revolution. A country cannot be prepared for a perfect protection against any threat, but it can afford enough defense to deter any strike or threat against it. A country can possess economic strength, which enables it to do more of the things than it otherwise could do. Even for countries with economic strength, defense cannot entirely be solved due to the same problem that all the countries are facing that of financial constraints.

A. ECONOMIC ASPECTS OF DEFENSE EXPENDITURE

Defense expenditure is often a target for the critics of governments' fiscal policies. Therefore, it is necessary to understand the reasons for such concerns. This section discusses the "public good" nature of defense expenditure and its impact on economic growth.

1. Defense as a Public Good

The main problem associated with resource allocation to defense is its "public good" nature. Public goods are commodities or services that are consumed jointly. When provided to a single member of a community they are also made available to all others.²⁸

²⁸ Gwartney, James D., *Microeconomics: Private and Public Choice*, p. 98, The Dryden Press, 1995.

As long as the utility of a good is different for different people, the problem is who is willing to pay for a good that will be consumed by everyone?

By providing the good to one person, it is impossible to prevent those who are unwilling to pay for it from enjoying its benefits. As a result the market system cannot lead to optimal production of national defense even if it is in a society's interest to have the service provided.²⁹ Due to the conflict between self-interest and the public interest of economic efficiency, the government has to intervene and provide the public good. The amount that the government would be willing to pay for a particular public good like defense will depend on a number of competing goals within its overall national security strategy. The impact of defense expenditure on economic growth is particularly pertinent in determining the level of defense expenditures.

2. Impact of Defense Expenditure on Economic Growth

Due to the fact that military expenditure consumes resources that could otherwise be used in the economic sector, e.g. production, and in enhancing human capital, it can be considered that this kind of expenditures is harmful to the economy. Since the end of the Cold War, the "peace dividend" advocates have been reinforcing this argument. As a testimony to the complexity of the subject, a consensus on whether defense expenditures have a positive or negative impact on the economy has never been reached. This section summarizes some major arguments that have been made on the subject.

²⁹ Olvey Lee D., *The Economics of National Security*, pp. 9-10, Avery Publishing Group, 1984.

One of the major arguments that have been advanced against defense expenditure is what the literature calls "the crowding out effect".³⁰ Defense competes with other government programs, such as health and education, within the government budget itself. A disproportionate increase in defense spending may lead to a relative reduction in other programs, and in the absence of additional revenue, the alternative for financing such expenditures would be borrowing either from the foreign or domestic market. But domestic borrowing leads to competition with the private sector for scarce financial resources from the market. The result is the "crowding out" of the private sector. Money that would otherwise be used for investment is used for public consumption. In a study on 50 least developed countries, Deger concluded that "an increase in the defense burden leads to a decrease in the growth rate through decline in the saving rate, a fall in investment per unit of capital, and a fall in human capital formation".³¹

Looney argues that contrary to conventional wisdom, recent empirical research on third world economies suggests that under certain circumstances, increased levels of defense expenditure can enhance economic growth.³² In his research he cites several scholars, (for example Benoit), who have shown that defense expenditures may have a stimulant effect on economic growth by increasing the aggregate demand. Benefits from this additional demand translates into, for example, more production by the private sector on the one hand and lower unemployment on the other hand.

³⁰ Deger, Saadet, *Military Expenditure in the Third World Countries: The Economic Effects*, pp. 244-245, Routledge and Keegan Paul, 1986.

³¹ Ibid.

³² Looney, Robert E., *The Economics of the Third world Defense Expenditures*, JAI Press Inc., 1994.

Benoit also argues that defense programs for most of the countries make tangible contributions to the civilian economies as follows:³³

- Feeding, clothing and housing a number of people who would otherwise have been fed, clothed and housed by the civilian economy
- Providing education and medical care as well as vocational and technical training that may have high civilian utility
- Engaging in a variety of public works
- Engaging in technical and scientific specialties and defusing such skills to the civilian economy

In support of Benoit's argument, Deger shows that "there are direct and indirect ways in which high defense expenditure may have spin-off effects on employment and the creation of human capital".³⁴

In a final analysis, economic considerations cannot be the sole basis upon which the level of defense expenditure may be determined. The major determinant for each country's national security strategy should be the level of the threats. This argument notwithstanding, the need to ensure efficiency in defense programs through the use of economic and other analyses cannot be over emphasized.

3. Defense as an Economic Problem

In theory, defense may be regarded as an economic problem. Resources that a nation possesses can be used for attaining many national and individual objectives, such as national security, social security and economic growth. These objectives are competing for the resources available.

³³ Deger, Saadet, *Military Expenditure in the Third World Countries: The Economic Effects*, p. 188, Routledge and Keegan Paul, 1986.

³⁴ Ibid. p. 116.

Hitch and McKean stress that defense depends upon three factors:³⁵

- Quantity of national resources available
- The proportion of the resources allocated for defense
- The efficiency with which resources allocated are used

If, at the governmental level, the problem is how much should be allocated for defense comparative to other domains, at the defense level the problem is how to use the resources allocated efficiently. It is in fact an internal problem of the defense organization to find and choose the most efficient or economic method of achieving military objectives.

The other factors on which the defense of a nation depends upon are the morale of troops, technological and scientific development of the country, character and skill of the political and military leaders, and the geographic position of the country.³⁶

All the scholars agree that defense expenditures depend also upon economic factors. Most of them stress the importance of economic factors and refer to the economic strength of a nation in contrast with its military forces. The other approach to economic factors refers to the constraints on military forces imposed by the budget, and the need to limit costs. In this sense, Baldwin complains that "in the Western World costs are a more decisive factor in shaping defense than is military logic".³⁷ Being economical may mean spending less on some things/activities and more on others, but the real meaning of

³⁵ Hitch, Charles J. and McKean, Roland N., *The Economics of Defense in the Nuclear Age*, p. 6, Atheneum, 1960.

³⁶ Ibid. p. 1.

³⁷ Baldwin, Hanson, Arms and Athoms - I, *New York Times*, p. 21, 14 May 1957.

economizing or economics is always to make the most efficient use of the resources available for all activities.

The literature shows that at first glance, economy and efficiency are two different ways of looking at the same characteristics of an operation. In fact, these two terms are logically equivalent. To maximize the attainment of an objective for a given budget is the same as minimizing the cost to attain that objective.³⁸

In deciding the size of the military budget usually there is a conflict between defense and the other public (governmental) expenditures, but within the military budget there is no conflict on how to spend it. Within defense the economic problem is to choose the most effective strategy, which should be, at the same time, the most economical one.

B. THE DEFENSE POLICY - BUDGET RELATIONSHIP

The literature mentions that, to a large extent, a nation's capacity to meet defense policy objectives depends on its ability to fund defense programs, such as acquisition of weapons systems and equipment, and training. A low level of investments in defense programs might lead to a failure in achieving the capability needed for meeting the policy objectives. On the other hand, a high level of investment might be harmful to the economy and would therefore militate against achieving other national security goals, such as economic wellbeing.

Therefore, an optimal defense policy requires consideration of the costs of meeting the objectives. These costs go beyond weapon systems and equipment

³⁸ Hitch, Charles J. and McKean, Roland N., *The Economics of Defense in the Nuclear Age*, p. 2, Atheneum, 1960.

procurement and includes the cost of the various processes and outcomes that contribute to overall military capability.

It is important for the defense forces to implement efficient management policies and systems to ensure that defense policy goals are, as far as possible, met. The defense policy formulation process should also result in objectives that are not overstated in terms of the nation's economic capability. This highlights the necessity to consider the economic and policy implications of the budgetary process.

C. DEFENSE POLICY IMPLICATIONS ON THE RESOURCE ALLOCATION PROCESS

The foundation of all nations is based upon national values, those most cherished principles upon which the existence of states are based. These national values form the basis of national interests which states will use all their might to safeguard. Arlinghous and Barker posit that "all sovereign states have four fundamental national interests in common: survival, territorial integrity, maintenance and enhancement of economic wellbeing, and the promotion of favorable world order".³⁹

A national security policy is developed to promote and safeguard national interests from perceived internal or external threats. Therefore, national security is concerned not only with the state's ability to use or threaten the use of physical force, but with its ability ensure other types of security to all citizens, for example, food and health security. The state's national security strategy will therefore comprise a number of specific security objectives, including defense policy objectives.

³⁹ Dunn, Keith and Staudenmaier, William, Strategy for Survival, *Foreign Policy* 52, pp. 22-40, Fall 1983.

M. Dillon observes that defense policy “plays an influential role in constructing and reconstructing the political community by mediating its internal as well as its external relations through the threat and use of force”.⁴⁰ The state is able to bargain in the international arena because it can back its demands by threat or the use of force, be it offensively or defensively. Likewise, in the domestic arena, the state’s monopoly over the legitimate use of force enables it to maintain order while carrying out functions for the wellbeing of its members.

The above would hold true if the military is perceived as being in fact capable of exercising such force. The military’s capability is therefore critical for it to play its appropriate role, particularly in the competitive regional and international arena. Readiness, force structure, sustainability, and modernization are considered to be the four “pillars” of military capability.⁴¹

1. Readiness

Readiness may be defined as the immediate ability of the military forces to execute their missions. The military forces that are designed to execute the missions include units, manpower, weapon systems and equipment. From the definition it can be deduced that readiness involves both speed and effectiveness in responding to a threat.

The speed factor from the definition is often criticized. Betts, one of the critics, observes that “unless it can ensure that the battle is decided on the first day, a force that

⁴⁰ Dillon, G. M., *Defense Policy Making: A Comparative Analysis*, p. 1, Leicester University Press, 1988.

⁴¹ Betts, Richard, *Military Readiness: Concepts, Choices, Consequences*, p. 37, The Brookings Institution, 1995.

could fight spectacularly for one day but would collapse on the second is no more ready in any meaningful sense than is one that could not fight as well but could fight longer".⁴²

Regardless of the speed with which it can deploy, a force that cannot accomplish its combat missions cannot be considered ready. Betts define combat effectiveness as a product of mass and efficiency, where mass is "the basic organized capital stock human and technical, of a military force", and efficiency is "the degree to which units can realize their maximum potential performance".⁴³

The conclusion that can be drawn is that readiness cannot be separated from the other three military capability's "pillars" of force structure, sustainability, and modernization. These are defined below.

2. Force Structure

Force structure refers to the number, size and composition of the units constituting the military forces. The force structure is determined based on the analysis of the threat, concept of operations, weapon systems and equipment to be employed, reserve and mobilization capability, and capacity to fund the adopted structure.

Very important to force structure is to ability to achieve the right balance between operational and supporting service units. For example, effectiveness could be compromised in the process of downsizing, when the military focuses on retention of operational units at the expense of service support.

⁴² Betts, K., Richard, *Military Readiness: Concepts, Choices, Consequences*, p. 37, The Brookings Institution, 1995.

⁴³ Ibid. p. 39.

3. Sustainability

Sustainability is the capacity to maintain the military forces performing combat missions over a long period of time. Sustainability cannot be obtained without a sound logistical system, modernized equipment, information technology, inventory management techniques, training and other management systems. Any shortages in meeting general and training requirements and war reserves seriously curtail the readiness of the military forces and their ability to withstand an enemy in a prolonged conflict.

4. Modernization

Modernization refers to the technological level of the forces' equipment and weapon systems. The modernization process involves procurement of new equipment and weapon systems or modification of the existing ones. Another aspect of this process refers to the "modernization" of the manpower that is supposed to operate and service the enhanced weapon systems and equipment.

Modernization is a process that should not be stopped at the technical and manpower level. This modernization also involves improvement in management systems. Special attention needs to be paid to such aspects as cost-benefit analysis, cost-effectiveness analysis, programming, budgeting, procurement, financial management, and information technology. Furthermore, as long as it is efficient in meeting national security objectives, modernization may be extended beyond the military to include improvement of domestic industrial capacity to produce defense goods.

D. PUBLIC POLICY ANALYSIS

Public policy affects nearly every activity of an individual's life. We do not have to look far to experience the influence of public policy on our life.

Public policy is the sum of all government activities that affect citizens. These policies can come from a variety of institutions at all levels of government: federal, state, local. In essence, public policy is what governments and public officials choose to do or not to do about public problems such as health care, economic development, and defense. Such policies typically represent a set course of action or pattern of activity over time, not a single or discrete decision.

The capacity to evaluate the policies is important in determining the extent to which particular policies or programs are implemented based on stated guidelines, and whether policies caused changes in the intended directions.⁴⁴

The debate on the impact of defense expenditures on the economy underscores the need to ensure that defense related public policy analysis affords the decision-makers an opportunity to make efficient decisions.

Mac Rae and Wilde have called policy analysis "the use of reasons and evidence to choose the best policy among a number of alternatives".⁴⁵ In the same vein, Walker and Fisher defined policy analysis as

a systematic approach to making policy choices in the public sector. It is a process that generates information on the consequences that might be expected to follow the adoption of various policies. Its purpose is to assist

⁴⁴ Nachmias, David, *Public Policy Evaluation*, p. 5, St. Martin's Press, 1979.

⁴⁵ MacRae, Duncan, Jr., and Wilde, James A., *Policy Analysis for Public Decisions*, p. 4, North Scituate, 1979.

policymakers in choosing a preferred course of action from among complex alternatives under uncertain conditions.⁴⁶

Applied to defense, the effect of such analyses has a significant impact, especially on the perception of the stakeholders about the value of defense expenditures and may influence the way national resources are allocated in the future.

1. Purpose of Policy Analysis

Bozeman stresses that policy analysis may be used for several purposes such as aiding to decision-making, evaluating the direct impacts of policy, problem assessment and monitoring.⁴⁷ In decision-making, policy analysis may be used by applying a variety of techniques such as cost-benefit analysis, public choice modeling, operations research, simulation, gaming, and other techniques generally rooted in mathematics. This type of analysis is called quantitative policy analysis and is best suited when the problem can be stated unequivocally, variables are quantifiable, costs and benefits over time can be determined, and there is an objective function that can be maximized or minimized. In case relevant values for the analysis cannot be determined the analysis turns into an intuitive one.

In evaluating the impact of policy two approaches are distinct. One refers to the use of techniques mentioned for decision, but using actual data. Cost-benefit analysis is particularly useful in determining indirect impacts in unintended consequences. The other

⁴⁶ Walker, Warren E., and Fisher, Gene H., *Public Policy Analysis, Encyclopedia of Operations Research and Management Science*, Ed. Saul I. Gass and Carl M Harris, pp. 526-528, Kluwer Academic Publishers, 1996.

⁴⁷ Bozeman, Barry, *Public Management and Policy Analysis*, New York, pp. 265-281, St. Martin's Press, 1979.

approach refers to program evaluation. This is based on experimental design. Program evaluation is used to replace the impressionistic approach with the scientific approach.

In an assessing and monitoring policy, analysis helps to establish benchmarks and critical indicators. Benchmarks are used to compare the outputs of an organization with the outputs of another organization doing similar things. By establishing critical indicators, an organization has the opportunity to timely intervene and avoid failure in meeting its goals.

Policy analysis proved its universal acceptance in public organizations, but sometimes it fails to achieve the intended goals. This happens when policy analysis is used to provide evidence for decisions that would already have been made, or for "shooting down" programs that would have fallen into political disfavor.⁴⁸ Policy analysis also fails for political reasons, when "higher interests" (national) are subordinated to "lower interests" (organizational, class, individual) by ignoring the results of analysis or by not conducting any analysis at all. All policy analysis limitations can be made less severe in case the organizational leadership is committed to adopting those programs able to improve efficiency in resource planning and management. The result of such commitment may be positive when the organization has the capability to conduct effective policy analysis and evaluation. Development of analysis capacity is further discussed.

⁴⁸ Bozeman, Barry, *Public Management and Policy Analysis*, New York, p. 267, St. Martin's Press, 1979.

2. Developing Analysis Capacity

In conducting policy analysis an organization may choose among three alternatives of using in-house policy analysts; relying on consultants; or using a combination of the previous two alternatives.

The selection of one of these alternatives is directly related to the policy analysis skill requirements. The skill requirements necessary for conducting an effective policy analysis are the skill to comprehend analysis already preformed and the skill to conduct the analysis. The first skill requirement is needed by all staff responsible for making policy decisions. The second skill requirement is characteristic of consultants. Yet, for an organization committed to policy analysis and not having the resources to rely on consultants, using staff to work as analysts may be the way to develop an in-house capability.

Policy analysis cannot be conducted without critical data and other resources. Among specialists, it is well known that effectiveness of policy analysis comes from a reliable database. Downs and Larkey observe that "in spite of enormous volumes of data they generate each year, governments have very incomplete, distorted and often unusable record of their activities. The data required to get a start on learning what causes what, or on forecasting the consequences of various actions do not exist".⁴⁹ Causes of a poor database are the reduced priority and limited resources given to data collecting and storing.

⁴⁹ Downs, George W. and Larkey, Patrick D., *The Search for Government Efficiency*, p. 243, Temple University Press, 1986.

Resources for policy analysis represent another problem. Resources are not limited only to money, manpower and databases. There are other resources that can assist and speed up the analysis process. Information technology represents a valuable resource, which can improve procedures, satisfy needs or alleviate troubles encountered within the policy analysis.

In the real world, it is very hard to find an organization that can relate on an unconstrained resource base. Due to the scarcity of resources, governments more than other organizations are under constant pressure to cut their budgets. Usually, the budgeting allocation process it is seen as a governmental political declaration. The amount of money allocated to each program represents in fact the governmental vision on spending public money efficiently. Therefore, for governments, it is important to adopt those measures that can provide the capacity to conduct an enhanced policy analysis and consistent resource allocation according to national interests and values.

Any public agency or organization faces the same challenges. With limited funds and virtually insatiable demand for services, public resources must be allocated to meet the priorities. In this respect, the continual development of budgeting systems may be viewed as a quest for achieving that end.

E. DEVELOPMENT OF BUDGETING SYSTEMS

In the most literal sense, a budget is a document containing words and figures, which proposes expenditures for certain items and purposes. Thus, a budget is a link between financial resources and human behavior to accomplish policy objectives. Budgeting in the public sector has its origins in the need for legislative accountability.

Budgetary systems are very complex and they followed an evolution from political/incremental based decision-making to decision-making based on systematic analysis and planning.

Different budgeting systems and their key features are further discussed. To provide a basis for future analysis on the Romanian budgeting system in use, the Planning, Programming and Budgeting System (PPBS) is discussed in more detail.

1. Incremental Budgeting

Incremental budgeting is a system that constructs next year's budget by starting with the current year's budget and then adjusting each program for expected changes. Wildawsky suggests that incremental budgeting is based on the concepts of "base" and "fair share".⁵⁰ The base represents those programs that all participants consider legitimate for the respective departments and which do not need intensive scrutiny. Fair share "reflects a convergence of expectations on roughly how much an agency is to receive in comparison to others".⁵¹

Using incrementalism, calculation may be simplified. According to Wildawsky calculation involves a study of how problems arise and are identified, how they are broken down into manageable dimensions, how they relate to one another, how determinations are made of what is relevant, and how the actions of others are given consideration.⁵²

⁵⁰ Wildawsky, Aaron B., *The New Politics of the Budgetary Process*, pp. 45-53, Addison-Wesley Educational Publishers Inc., 1997.

⁵¹ Ibid. p. 47.

⁵² Ibid. p. 43.

1. Performance Budgeting

Performance budgeting connects inputs to outputs. It was created from the necessity of controlling public expenditures and restoring legislative control to the government budget. This approach enabled the bureaucracy to keep track of where funds were allocated and how they were spent, but it did not account for efficiency in the budgetary process.

Its history dates back to the Taft Commission of 1912 and continued with its implementation in the Department of Agriculture. In 1949, the Hoover Commission recommended the implementation of the performance budgeting throughout the federal government. This commission noted that "such an approach would focus attention upon the general character and relative importance of the work to be done, or upon the service to be rendered, rather than upon things to be acquired".⁵³

The performance budgeting envisaged by the Hoover Commission consisted of three elements: a program and activity classification of government transactions, performance measurement, and performance reporting.⁵⁴ Program and activity classification was necessary for measuring the impact of the government budget. The categories provided an aggregate picture of the national economy. Performance measurement implied the specification of yardsticks for efficiency in terms of predetermined standards, or performance over a period of time, or a comparison to other

⁵³ Downs, George W. and Larkey, Patrick D., *The Search for Government Efficiency*, p. 149, Temple University Press, 1986.

⁵⁴ Premchand, A., *Government Budgeting and Expenditure Controls: Theory and Practice*, p. 322, International Monetary Fund, 1983.

similar organizations. Performance budgets were also constructed so as to provide a descriptive account of the tasks and work plan for each department through the structure.

The implementation of this approach ran into difficulties. Some of difficulties came from ensuring the proper classification, while others came from the computation of costs that proved to be very complex. Difficulties were also encountered in formulating the productivity or efficiency index.

Performance budgeting benefits were not so dramatic. The system offered a better quantitative basis, but decision making had to consider the qualitative aspect as well.

3. Program Budgeting

Program budgeting is a variation of performance budgeting in which information is collected by program categories without the details of the performance-budget construction. The program budgeting system as it came to be implemented in the U.S. Federal Government departments stressed the classification aspects. Activities were grouped by agency, and then by mission, purpose or function. Premchand presents the Defense Department's budgeting system that became operational after 1961. This system had three principal features: a system of classification in which programs were related to major objective of policy, a program analysis allowing effective and efficient ways of reaching the goal, and an annual budget cycle in which classification and program analysis became integral parts.⁵⁵

⁵⁵ Premchand, A., *Government Budgeting and Expenditure Controls: Theory and Practice*, p. 325, International Monetary Fund, 1983.

This system offered by the Defense Department was considered a unique combination of economic, managerial, and accounting approaches used in the commercial world, and applied to governmental organizations. To that extent, it was an advancement over performance budgeting as the emphasis was placed now on efficiency, in both an operational and allocative way.

4. Planning, Programming and Budgeting System

The Planning, Programming and Budgeting System (PPBS) was introduced in the Defense Department in 1962 by Secretary of Defense Robert McNamara and was subsequently extended throughout the U.S. Federal Government in 1965. In the simplest of terms, PPBS is a system designed to assist decision makers in making choices about the allocation of resources among a number of competing programs or alternatives to accomplish specific objectives in national defense.

a. Fundamentals of PPBS

The PPBS coordinates planning efforts at the national level of civilian and military organizations. PPBS is principally concerned with the management of resources to meet strategic requirements. It is a process that operates on an annual, i.e. continuing basis. Each of the three processes (planning, programming and budgeting) operates on a near continuous basis, although not simultaneously in the same year. In other words the three processes may overlap for differing years. Within PPBS, the process moves from broad planning considerations to more definitive program objectives, to specific budget estimates, which price out programs.

PPBS contrasts with traditional budgeting processes in two significant ways. First, PPBS tends to focus less on the existing base and subsequent annual

incremental improvements. Instead, the system focuses more on strategic goals and objectives, and the long-term alternative means for achieving these objectives. As a result, the planning function has been elevated to a level of importance equal to budgetary management and control. Secondly, the PPBS links planning and budgeting through programming, a process which essentially defines procedures for distributing available resources equitably among many competitors or programs.

The PPBS process can be summarized in a few words following the scheme shown below, in Figure 1.⁵⁶ Based on the assessment of the threats to national security and national interests, a strategy is developed. Requirements of the strategy are then estimated and transformed into programs. Programs are developed in packages, which ensure the execution of the strategy. Finally, the costs of approved programs are submitted as part of the overall government budgets.

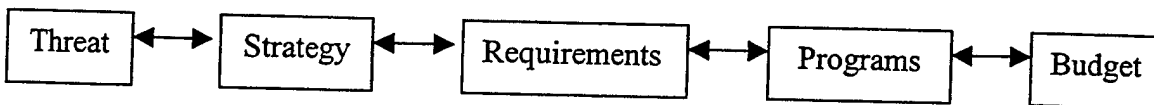


Figure 1. PPBS Sequence of Events.

In the literature, PPBS is a part of a complex analysis on the government budgeting systems. Premchand, one of the scholars who looked at budgetary systems,

⁵⁶ From Ref. [Civil-Military and Budgeting Course NS-3225, National Security Affairs Department, Naval Postgraduate School, Monterey, California].

shows that the PPBS formulated by the government involves three levels of management:⁵⁷

- Policy management: identification of needs, analysis of options, selection of programs, and allocation of resources
- Resource management: establishment of basic support systems, improvements in basic budget structure, financial management practices
- Program management: implementation of policies, accounting, reporting and evaluation

Bozeman presents a more detailed analysis of PPBS, and in this context he outlines that at the operational level, PPBS contains the following five formal elements:⁵⁸

- Program structure in terms of mission, forces, and weapon and support systems
- Analytical comparison of alternatives
- Updated force structure and financial program
- Related year-round decision making on new programs
- Progress reporting to test the validity and administration of the plan

Bozeman also presents the basic steps in implementing PPBS. The first step consists of a grouping of activities into "program packages" and breaking down these packages into "programs" and "program elements". The second step consists of developing a measure of output and effectiveness. In the third step, costs and benefits are analyzed and program elements with the lowest net costs are identified.⁵⁹

⁵⁷ Premchand, A., *Government Budgeting and Expenditure Controls: Theory and Practice*, p. 327, International Monetary Fund, 1983.

⁵⁸ Bozeman, Barry, *Public Management and Policy Analysis*, New York, p. 153, St. Martin's Press, 1979.

⁵⁹ Ibid. p. 233.

b. Goal of PPBS

The goal of any PPB system is to find the most effective resource allocation method in order to achieve the national defense objectives. In other words, the ultimate objective of PPBS is to provide operational commanders with the best mix of forces, equipment, and support within the fiscal constraints established early in the planning process. The following section discusses each phase of the system in more detail.

c. Planning

Planning represents the first phase of the PPBS process. It starts with the assessment of the threats to national security and national interests and culminates with the development of force objectives to assure national security.

The major steps of the planning phase are:

- Identification of national interests
- Examination of the world security environment
- Defining national military strategy
- Planning the force structure

National interests are primarily determined at the executive level based on the inputs received from a myriad of sources. These national interests are included in the National Security Strategy.

Assessment of the current security environment includes the consideration of threats to national interests, international defense policy objectives and current defense status. Foreign policy objectives include international treaty commitments.

The evaluation of the threat to national security provides the basis for defense needs. Based on the overall threat to national security, a national military strategy is developed in order to counter the threat.

After assessing the current world security environment, the next step in the planning process provides the development of the military strategy and the force level necessary to meet the threat and ensure that defense policy objectives will be achieved.

The military strategy development includes the following steps:

- Ideal force level development without taking into account any constraints
- Resource constraints application
- Optimal force level development under the constraints
- Risk assessment and force level adjustment in case that it is necessary

Planning force structure provides the basis for the programming phase. All the planning decisions are documented in the form of guidance and provide the decision makers with the framework for determining the allocation of resources.

The major planning documents that are issued in the planning phase are:

- National Security Strategy
- National Military Strategy
- Defense Planning Guidance

National Security Strategy (NSS) is a document issued by the executive branch at the investiture, in the US. by the President. It contains the national interests, the review of the global and regional trends, and a state's political, economic, and defense strategies for the next period of time (mandate).

National Military Strategy (NMS) is built on the basis provided by the NSS and identifies the strategic concepts, provides force planning guidelines, defines the

base forces at the macro level, and assigns the military force packages. Its validity should be the same as NSS.

The final document of the planning phase is the Defense Planning Guidance (DPG). This document is developed by the Secretary of Defense and provides the components of DoD policy, force and fiscal guidance necessary to construct their respective program proposals and their annual budgets. The main components of DPG are strategy, programming guidance, and scenarios.

d. Programming

Programming is the process by which information in the DPG is translated into a financial plan of effective and achievable programs. In this phase, each military service prepares a Program Objective Memorandum (POM). This document details the specific forces and programs that the service proposes over the Future Years Defense Program (FYDP) period to meet the military requirements identified in the DPG within the financial constraints that are mandated by the Secretary of Defense. POM presents recommendations to the Secretary of Defense made by the services and contains information about the programs planned for a period of six years. During the programming phase, information on current and proposed programs compiled in the POM is thoroughly reviewed. Part of this review process contains an evaluation of the risks and of the military advantages and disadvantages of each alternative proposed to meet the risk.

POMs are scrutinized at the joint-staff level and merged into the Joint Program Assessment Memorandum (JPAM) document that is then analyzed by the Office of the Secretary of Defense (OSD). After the analysis, JPAM is submitted for program

decisions to the Defense Planning Resource Board (DPRB) chaired by the Secretary of Defense. Decisions of the DPRB are issued in the form of Program Decision Memoranda (PDM) and provide the basis for the budgeting phase.

e. Budgeting

The budgeting phase seeks to allocate the limited resources across and within the military services according to planning and programming decisions. Budgets for all services are submitted for joint review by the Office of the Secretary of Defense (OSD). Primarily, responsibility for the budgeting process lies with the Office of the DoD Comptroller, which draws on other organizations within the OSD for support and which works closely with the Office of Management and Budget (OMB).⁶⁰ In part, the budget review is a fairly technical exercise in which budget allocations made in terms of program elements used in FYDP and POMs are restructured for submission to Congress according to appropriation accounts. The budget review also involves preparation and approval of justification material for submission to Congress. During this phase, the Secretary of Defense conducts hearings in conjunction with OSD and OMB staff and formulates his Program Budget Decision (PBD) and Defense Management Report Decision (DMRD). The first document provides alternatives to service proposals and the second seeks to achieve efficiency through improved management practices and a consolidation of efforts.

⁶⁰ OMB is a branch of the Executive, which advises the President on budget related issues. OMB also combines the various departmental budgets into the President's Budget, which is then submitted to the Congress in January every year.

5. Management by Objectives

Management by Objectives (MBO) is generally defined as a system in which specific performance objectives are jointly determined by subordinates and their superiors, progress toward objectives is periodically reviewed, and rewards are allocated on the basis of this progress. Peter Drucker first proposed this approach in 1954.⁶¹

MBO refers to a formal set of procedures that begins with goal setting and continues through performance review. Managers and their subordinates act together to set common goals. Each person's major areas of responsibility are clearly defined in terms of measurable expected results or objectives used by subordinates in planning their work, and both by subordinates and superiors for monitoring the progress. Performance appraisals are conducted jointly on a continuing basis, with provisions for regular periodic reviews.

The objectives of MBO spell out the individual actions needed to fulfill the unit's functional strategy and annual objectives. Thus, the MBO provides a way to integrate and focus the efforts of the members of the organization on goals of higher management and overall organizational strategy.

Stoner and Freeman suggest that an effective MBO program should have at least the following six elements:⁶²

- Commitment to programs. Managers' commitment to the MBO process and to achieving personal and organizational goals is required for an effective program. Managers must meet with subordinates, first to set objectives and then to review progress toward these objectives.

⁶¹ In his book *The Practice of Management*, published in 1954, Peter Drucker has introduced the concept of Management by Objectives (MBO)

⁶² Stoner, James A. F., and Freeman, Edward R., *Management*, pp. 232-233, Prentice Hall Inc., 1992.

- Top-level goal setting. Effective MBO programs usually start with the top managers who determine the organization's strategy and set preliminary goals. This procedure gives both managers and subordinates a clear idea of what managers hope to accomplish.
- Individual goals. Each manager and subordinate has clearly defined job responsibilities and objectives. For having realistic objectives, individual objectives should be set in consultation between that individual and the supervisor.
- Participation. The greater the participation of both managers and subordinates in the setting of goals, the more likely the goals will be achieved.
- Autonomy in implementation of plans. Once the objectives have been agreed upon, the individual enjoys a wide range of discretion in choosing the means of achieving them.
- Performance review. Managers and subordinates periodically meet to review progress toward objectives. During the review they can generate and improve objectives and results.

Downs and Larkey state that "the difference between MBO and PPBS run deeper and are similar to those that distinguish the managerial and planning approaches to budgeting. MBO concedes that objectives are politically rather than analytically determined. The role of analysis is less institutionalized in MBO. Unlike PPBS, MBO does not stress the importance of cost-benefit analysis to choose between alternative ways of pursuing the same objective."⁶³

6. Zero-Base Budgeting

Zero-Base Budgeting (ZBB) is a system that calls for total cost analysis of all programs every year. According to this approach even continuing multi-year programs are subject to an intense review and evaluation.

⁶³ Downs, George W. and Larkey, Patrick D., *The Search for Government Efficiency*, pp. 166-167, Temple University Press, 1986.

The major features of ZBB have been summarized by Premchand:⁶⁴

- Evaluation of programs at different levels of resource allocation and performances
- Formulation of the objectives for each agency
- Conversion of activities into decision packages, which are developed to show performance at various resource levels
- Evaluation of the decision packages and their further arrangement in ranking order

Decision packages are broadly evaluated and ranked by the performance at various levels of resources. These levels are minimum, intermediate, current, and enhancement. The ranking order enables agencies to define the minimum effort and to indicate the incremental levels of effort above the minimum for each program.

Supporters of the system stresses that the strength of ZBB comes from the equal attention paid to the budget base as well as to increases to the base. Through this, it permits adjustments in case of changes in the levels of available resources.

7. Implementation and Evaluation of Budget Reforms

In a study on government budgeting and expenditures controls, Premchand allocates an important part to the analysis of the implementation and evaluation of the budgeting systems previously described in some industrial and developing countries. In his opinion "the implementation of the systems reveals that those in operation cannot be described as a single system but as a family of systems where selected features that are relevant and feasible are applied."⁶⁵ Although the systems implemented in these

⁶⁴ Premchand, A., *Government Budgeting and Expenditure Controls: Theory and Practice*, p. 335, International Monetary Fund, 1983.

⁶⁵ Ibid. p. 346.

countries have various names "they also have several common elements such as classification, specification of objectives, and evaluation of efficiency."⁶⁶

Premchand also noted that in the implementation process several countries had difficulties created especially by "the lack of training facilities, shortage of skilled workers, inadequate phasing, disillusionment with excessive paperwork, inadequate involvement of spending agencies."⁶⁷

Experience with the budgeting systems mentioned previously reveals that reforms imposed by the use of these systems tend to be successive, not because they are not satisfactory in meeting the tasks, but mainly because of rapid changes in the challenges facing the government. When promptly implemented, the reforms are clearly helpful in clarifying the activities of the government. Although budgeting systems do not offer a total solution, they can be a better tool in economic policy and management by reducing the gap between the plan and the budget.

After years of looking for a system that could solve the resource allocation for defense, the Romanian Armed Forces have opted for PPBS as a solution. Therefore, the implementation of PPBS in the Romanian Armed Forces is discussed in the next chapter.

⁶⁶ Premchand, A., *Government Budgeting and Expenditure Controls: Theory and Practice*, p. 347, International Monetary Fund, 1983.

⁶⁷ Ibid.

THIS PAGE INTENTIONALLY LEFT BLANK

V. ROMANIAN DEFENSE PLANNING, DOCTRINE AND POLICIES

Since the Madrid summit in 1997, Romania has continued to develop its National Defense Policy and shape the structure of its Armed Forces so that the national defense needs of the country are fully met in the new post-1989 era.

Romania's Armed Forces are in the midst of a fundamental transition from a formidable but increasingly oversized, expensive and outdated force to a much smaller, more capable force. The most important tasks are to reduce size, the structure and the infrastructure while increasing training and operating capabilities. The urgency of these tasks has been increased by the continuing battle to halt the country's economic slide and by Romania's determination to join NATO, if possible, by 2005. The first of these conditions dictates that the Armed Forces restructuring takes clear priority over re-capitalization. This tough decision cannot be deferred. The goal of NATO membership reinforces the economic imperatives and gives the Ministry of National Defense (MoND) leadership a clear path on which to proceed.

Romania's national security tasks are to defend the sovereignty and independence of the state; to consolidate democracy and the rule of law, to protect the rights and liberties of Romanian citizens, and to promote Romanian interests around the world. In support of this national strategy, defense policy and military strategy have been drafted. In 1998 the law defining defense planning was adopted and in early 1999 legislation directed that multi-year budget planning start in that year. Romania's defense planning system is modeled after systems in use in by NATO members. The tasks that remain are

system implementation and honing of command and staff skills in the joint arena to make the system work as intended.

The defense planning process is crucial because it defines the first principles upon which all subsequent programs are justified and upon which decisions are made from the MoND all the way down to field commands. What is vital is that the process generates agreed, approved guiding documents, primarily the National Security Strategy and National Military Strategy, to underpin effectively the force planning and resource allocation process. As force restructuring and re-capitalization go forward, these documents are crucial in setting and sticking to priorities across a meaningful, multi-year investment cycle.

A. ROMANIA'S STRATEGIC ENVIRONMENT AND CURRENT RISKS

1. Identifying the Risks

The National Security Strategy (NSS) identifies the risks aligned against Romania's national security interests. The risk of a major war is regarded as substantially reduced, although the international context is noted as uncertain and marked by diversified tensions. However, the risk of regional conflict stemming from a local crisis is considered increased. The risk of internal conflict, social chaos and anarchy is seen as grave. The NSS enumerates both external and internal risks as follows:

- External risks:
 - regional or sub-regional conflicts or instabilities
 - terrorism-extremism and transnational organized crime
 - proliferation of weapons of mass destruction technology
 - illegal use of Romania's territory for high risk activities such as toxic waste disposal
 - actions by rogue militaries against Romania or its interests

- support from abroad of activities that undermine the sovereignty or unity of the state
- restriction on access to vital resources
- Internal risks:
 - actions that aggravate economic or financial imbalances
 - organized crime
 - general crises causing a breakdown of authority
 - extremist activities
 - environmental degradation

2. Romania's Relations with Neighboring States

In the last ten years Romania has worked hard to achieve good relations with all its neighbors: Bulgaria, the Federal Republic of Yugoslavia (FRY), Hungary, the Ukraine and Moldova. The highlights of these efforts have been the 1996 Romanian-Hungarian Basic Treaty and the 1997 Romania-Ukraine Basic Treaty. Both treaties lay to rest long standing ethnic and territorial issues that blocked the development of friendly relations. For the foreseeable future, Romania does not seem to have military threats on its borders. In turn, Romania's NSS declares that Romania considers no state its enemy.

3. Threat Perception and Force Structure

From a force structure development standpoint, the Romanian threat perception is dominated by three major potential conventional military threats and concerns: the Federal Republic of Yugoslavia (FRY), Moldova/Transdniestria and Russia. The main concern that comes from the FRY is the fear of military retaliation by this country in response to Romanian participation in NATO operations directed against the FRY during the Kosovo conflict. Threats of retaliation against key sites in Romania occurred in late 1998 when Romania permitted NATO over-flight rights needed to reach targets in the

FRY. Despite this tension, Serbia is the only neighbor against which Romania has never fought, and Romania has a strong interest in maintaining good relations with the FRY.

Potential instability in Moldova and the close ethnic and cultural ties with the Republic of Moldova lead Romania to be concerned about the developments in that country. The presence of a sizeable Russian population and the Russian military in Moldova is viewed as a threat both by the government and the Romanian population. A renewal of civil war in Moldova or complications with the so-called "Transdniester Republic" pose a potential threat to Romanian security in terms of refugees or spillover of ethnic conflicts. This will continue to require a sizable disposition of forces close to the border with Moldova in future force planning.

Romanian insecurity and desire for collective security both result from Romania's worst case security threat or that of a resurgent Russian or Ukrainian military capability. The main worry is that beyond the small Russian military contingent in Moldova, there is a large armor-heavy Ukrainian force of several hundred thousand men, and beyond Ukraine, in Romania's area of interest, is Russia, an historical adversary, with an armor heavy force of over one million men. Though both Russia and the Ukraine are not immediate threats, they loom as potential future military threats for many Romanians.

4. Determination of an Acceptable Level of Risk

Romania's military and civilian leaders understand that it is not possible or practical to provide a totally risk-free security environment. Similar to other Western powers, what Romania seeks in terms of national security is an acceptable level of risk and a force posture that provides a credible means to react to unambiguous warnings of heightened threats. The missions of the Armed Forces are assigned and prioritized based

on likely and proximate threats. In allocating limited resources to high priority missions, an acceptable level of risk can be realized with respect to less likely or long lead time threats. This can be done by maintaining high readiness levels for the forces needed to respond to immediate risks. It can also mean prioritizing investments in capital equipment in order to address the most needed modernization requirements first.

B. MISSIONS OF THE ARMED FORCES

1. Strategic Missions of the Armed Forces

The NSS describes the missions of the military in peacetime, crises and war:

- In peacetime, the Armed Forces train to defeat aggression; prevent or resolve internal crisis, integrate into European and Euro-Atlantic security structures, participate to multilateral operations; conduct joint operations; and engage in international cooperation.
- In a crisis, the military carries out missions under political direction and as established by law. These missions include: prevention of destabilizing actions; neutralization of terrorists, maintenance of communication lines, clearance of areas illegally held; provision of strategic security at borders, and response to natural disasters and other calamities. The Armed Forces participate in these crisis-response missions only with selected forces that are adequately trained and equipped.
- In war, the Armed Forces are assigned missions based on the nature of the conflict and national war plans. Wartime strategy calls for the ability to exercise successfully all the techniques of modern warfare, including rapid action, information technologies, joint operations, precision weapons, and a multi-dimensional battlefield.

2. Missions of the Services

a. Land Forces Missions

The overall missions of the Land Forces across the peace-crisis-war spectrum are to deter armed aggression, to be prepared to prevent any contained regional crises including participation in international peacekeeping missions, and to repel and defeat military aggressors against Romania.

Primary peacetime tasks are deterrence, NATO interoperability training and operations, and participation in international peace operations. Primary crisis tasks are to contain and eradicate the effects of internal crises and to conduct disaster assistance. The primary tasks in war are to repel an aggressor while limiting the effects of the initial aggression and to defeat the aggressor beyond the borders of Romania.

b. Air Forces Missions

In peacetime, the Air Force engages in airspace surveillance, readiness training, non-combat evacuation operations, interoperability exercises and airlift operations.

The Air Force's primary wartime missions are to conduct operations in cooperation with the other services and/or as a part of multinational force groups; for the purpose of gaining and maintaining control over airspace, and to provide support for land forces and the Navy engaged in operations.

c. Naval Forces

The Naval Force's missions are to promote and defend maritime national interests to carry out decisive and efficient combat actions, either independently or in cooperation with other forces in order to ensure freedom of navigation and Romanian sovereignty. The fleet will ensure sovereignty over the natural resources in the exclusive economic zone to defend Romanian Black Sea borders.

The Naval Force has a clear sense of the strategic value of the Black Sea, and especially, the Danube. With the planned development of a Transcaucasus oil pipeline, Romania is confident that commercial traffic on the Danube will increase. As such, the defense of the littoral zone and the Danube and Delta are linchpins in the Naval

Force's mission plans. To further regional cooperation and promote NATO interoperability, the Naval Force mission includes regular participation in NATO PFP exercises.

C. ROMANIA'S DEFENSE PLANNING SYSTEM

Romania's defense reforms after 1990, from the perspective of joining the Alliance, tried to generate a defense planning system much like NATO member systems. This process proved to be difficult, especially in developing and getting political approval, for fundamental strategic documents. These documents are essential to moving toward and implementing the defense planning process.

The major documents, which are the basis of the defense planning process in the Romanian Ministry of National Defense and Armed Forces, are:

- National Security Strategy
- Defense White Paper
- National Military Strategy
- Strategic Directives

1. National Security Strategy

The capstone document for Romania's national defense planning is the National Security Strategy (NSS). From it, all ministries and institutions involved in national security and defense are to establish implementing policies, programs and plans. The NSS evaluates the international security environment, defines objectives and interests as well as external and internal risks, and gives direction for action to implement the strategy.

The NSS is a document issued by the President and is presented in front of the Parliament soon after taking office and is intended to cover the four-year period of the

mandate. The first NSS was issued in 1998. Although in December 2000, a new President and Government took office after Presidential and Parliamentary elections, the new NSS has not been issued. Other basic documents face a similar situation.

National security objectives defined in the NSS have been considered in the MoND decision making in drafting the National Military Strategy. The NSS states that Romania's strategic national security objectives are:

- To defend Romania as a sovereign, independent and indivisible state
- To consolidate democratic institutions and rule of law
- To protect its citizens and their fundamental rights and liberties
- To protect and promote Romanian interest around the world

Romania's foremost international goals are to join NATO and the EU and to develop privileged relations with their members, such as the 1997 Strategic Partnership with the United States. Romania also intends to be an active member of the other security organizations.

2. Defense White Paper

The MoND prepares a Government White Paper for implementing the national defense portion of the NSS. The White Paper covers the same four-year period as the NSS and an eight-year forecast. The document is submitted to Parliament for approval soon after the new government takes office and establishes:

- Objectives and principal responsibilities of the agencies and institutions involved in national defense
- Missions and activities of these agencies and institutions
- Human, material and financial resources to be provided to each agency and institution annually for accomplishing its' assigned tasks

From NSS and the White Paper, every institution and agency involved in national security develops its own strategies, programs and plans. All these subordinate plans cover the same four-year time period and must be approved by the Government.

3. National Military Strategy

The National Military Strategy (NMS) is the military product elaborated from the NSS and the White Paper. Once approved it is to be the primary reference for defense planning over the next four years. NSS guidance with respect to missions for the Romania's military is:

- To deter and if necessary prevent any possible aggression against Romania
- To work towards integration into NATO military structures
- To increase Romania's military contribution to regional stability

The NSS further charges the military to reshape and restructure the Armed Forces based on the new environment, new tasks and new resource realities.

The NMS is developed inside the MoND and must be approved at the executive level. The NMS is the comprehensive document that guides the multi-year defense planning process. It delineates Romania's military strategy in terms of its principles, objectives, operational concepts, strategic missions, and organization of the armed forces, including its civilian control, command arrangements, training and principal equipment.

Romania plans to implement its military strategy by first improving its means of self-defense and then by succeeding in its long-term goal of integration into NATO's collective defense system. Selected highlights of the NMS are presented below.

a. NMS Principles

The main principle of the NMS is its strictly defensive character. This includes maintaining defensive capabilities and operational readiness to deter aggression and defeat an attack, either through self-defense or in the context of collective defense. The other principles of national defense include rapid response, the avoidance of strategic surprise and the conduct of simultaneous or sequential operations. Romania asserts that it may operate outside its borders within the context of multi-national operations.

b. Goals and Objectives

The fundamental goal of the Armed Forces is to protect sovereignty, independence and unity of the Romanian State. This goal is supported by specific objectives to be achieved in peacetime, in response to crisis, and in time of war.

In peacetime, the Armed Forces are to deter aggression, build a credible defense system, achieve the standards for integration into NATO, improve relevant legislation and democratic controls and participate in international operations.

In crisis, the Armed Forces are to respond to political plans for either internal or regional crisis management and to limit or eliminate the effects of disasters.

In war, the Armed Forces are to repel any aggression and to contribute to collective defense if so established by international agreements.

c. Operational Concepts

Romania's defense posture includes the concepts of early warning, rapid response, major defensive operations, prosecution, and if necessary, of aggressor elements outside its territory, heading off potential aggression by participating in multi-

national regional stability operations, and maintenance of an infrastructure capable of receiving reinforcements.

d. *Organization, Equipment, Training, Command and Control and Resourcing of the Armed Forces*

The NMS provides an appropriate strategic overview of these areas. The words are a combination of expert advice to national and legislative leaders on the requirements in each area, and guidance to the Armed Forces on priorities and direction to deal with transition problems in a given order.

4. Strategic Directives

The Strategic Directives lay out the methods of defense planning, military planning (strategic and operational), and defense programming.

Strategic and operational planning guidance flows from the NMS by means of Strategic Directives that set forth procedures, guidelines, planning principles, and methods for conducting planning. The Directives describe how strategic and operational plans are to be developed for peace, crises and war. Plans span the full spectrum of military operations, from internal humanitarian relief to major external conflicts. The Operational Plans (OPLANs) are developed by the Joint Defense Staff.

Strategic Directives also provide elements for the development of programs for constituting, modernizing and preparing the force. Programs are for four years, with an eight-year outlook. Each program is allocated a budget. Progress on each program is reported to the Government annually, where modifications can be made and budgets adjusted.

D. MULTI-YEAR PLANNING SYSTEM

Multi-year planning is an essential characteristic of effective defense planning, force planning and resource allocation. Romania has already taken the first step towards implementing a multi-year plan.

Romanian has received U.S. advice on how to develop a multi-year planning programming and budgeting system. The first multi-year planning effort was conducted in April through October 1999. The intent of this effort was to put in place an approved multi-year budgeting plan prior to the 2000 election season, when further planning may have been suspended for political reasons. The multi-year plan was also used to prepare Romania's Membership Action Plan necessary for developing forces and capabilities able to operate with NATO under its new Operational Capabilities Concept.

This multi-year planning effort by the MoND, the Joint Defense Staff and the Service staffs of the Armed Forces was a crucial first step in committing to a true process of fiscally constrained force planning. It is also the linchpin to adopting a long-term strategy for the Armed Forces restructuring toward a more compact, more capable military.

VI. RESTRUCTURING THE ARMED FORCES

The need to reform the Romanian military institution became evident after the 1989 Revolution and the changes, which occurred, internationally. The aim of the reform was to change the Armed Forces inherited from the communist regime into a modern institution capable of fulfilling its new missions and contributing to European and Euro-Atlantic integration.

A. THE WAY TO A NEW FORCE STRUCTURE CONCEPT

As a result of the political, social and economic changes which have taken place following the December 1989 Revolution, and in view of the major developments in the security environment in Europe, the Romanian Armed Forces (RAF) have begun a significant process of reform since January 1990. The restructuring process went through three stages during 1990-1999:⁶⁸

- The goal of the first stage (1990-1994) was to first start to change the structure, eliminate political control by the communist party, and develop a new legislative framework for defense
- The second stage was characterized by completion of structural reforms, reorganization of the Armed Forces to units similar to those belonging to NATO member states, beginning the process of achieving interoperability with NATO forces based on the PfP program, reform of the military education system.
- The third stage was characterized by reorganization of the command and staffs in a modular way compatible with NATO structures, development of a new personnel strategy, reconsideration of an officer's professional career, implementation of the interoperability objectives assumed within PfP.

⁶⁸ Degeratu, Constantin, FARO 2005-2010: The Path Ahead for the Romanian Armed Forces, *Military Technology*, Bonn, October 1999, Available (online): [<http://proquest.umi.com/pqdweb>] 15 March, 2001. Lt. Gen Constantin Degeratu was the Chief of the Joint Defense Staff of the Romanian Armed Forces between 1997-2000.

The strength of the Romanian Armed Forces (RAF) was reduced from 320,000 in 1990 to 180,000 personnel at the end of 1999.

B. THE FORCE STRUCTURE FOR THE 21ST CENTURY

During the NATO Madrid Summit in 1997, the Alliance decided that its door would remain open to new members, and they paid particular attention to the aspirants, including Romania. Under these circumstances, the U.S. signed a Strategic Partnership with Romania with the expressed purpose of working together to make Romania the best possible candidate for NATO.

At the Washington Summit in 1999, NATO reaffirmed that the door to new members remains open. As a specific instrument for getting closer to the Alliance, NATO established the concept of MAP for all aspirants to follow voluntarily. MAP calls for elaboration of planning targets for developing those defense capabilities that directly relate to NATO missions.

In 1999, Romania worked to develop a national defense capability and structure for the future. Underscoring this work is a program of restructuring and reform that addresses both the decision-making mechanism within the MoND and the development of a capable, potent, effective and affordable Armed Force structure. The process has been iterative and has been based on an analysis of political goals, financial constraints and military capability requirements. The approach to this work has deviated from the linear single-year planning method of the past to a cyclic, iterative multi-annual planning process. This new approach has given the MoND the ability to assess the cost associated with a deliverable national defense. It also guarantees a clear visibility of the national defense effort and puts a sound instrument for planning at MoND's disposal. More

importantly, it gives national defense the transparency and credibility it needs if Romania is to join NATO. This approach has been the vehicle on which Romania has been able to develop a framework action plan for national defense and subsequently to draw up the MAP called for at the Washington Summit.

The work to date has been developed in such a way that it has both depth and robustness. Depth is there because the analysis has brought Romania to the point where it is able to put before NATO a framework action plan for accession into the Alliance that starts the basic principles and develops a national defense effort along analytical and logical lines. As a first step, a policy baseline has been established and translated into a statement of the national defense or military requirement. In turn, this requirement has been defined through determining key planning assumptions, identifying military tasks, allocating military resources to the tasks, determining risks and readiness states, and developing force structure options. The national defense effort has been further refined by costing the force structure options to determine what is affordable. Lastly, the iterative process has been enabled to make a decision on which national defense posture to adopt that would best meet the nation's needs, fulfill policy objectives, and remain affordable.

Robustness has been built up by a comprehensive analysis of the national defense costs. It is a multi-layered analysis that gives a clear definition of the individual value of the various components involved to create a national defense.

C. STRUCTURE AND CAPABILITY PLANNING PROCESS

Once the operational requirements have been defined, i.e., political options and military capabilities, the effort to design the national defense dimension was made based on cost parameters between two budget limits that have provided a strict discipline during

the planning process. The budget profile, i.e., the costs, were later related to the force structures' dimensions designed in accordance with the NSS and the NMS described in the previous chapter. It is obvious that the national defense requirements would imply much higher costs in a situation whereby Romania would not be able to count on any security guarantees, as opposed to a situation in which the country would enjoy sufficient security guarantees, and especially membership in a military alliance. Simply put, as can be seen in Figure 2, the less Romania is embraced within the framework of a collective security umbrella the larger the cost and the larger the force structure.

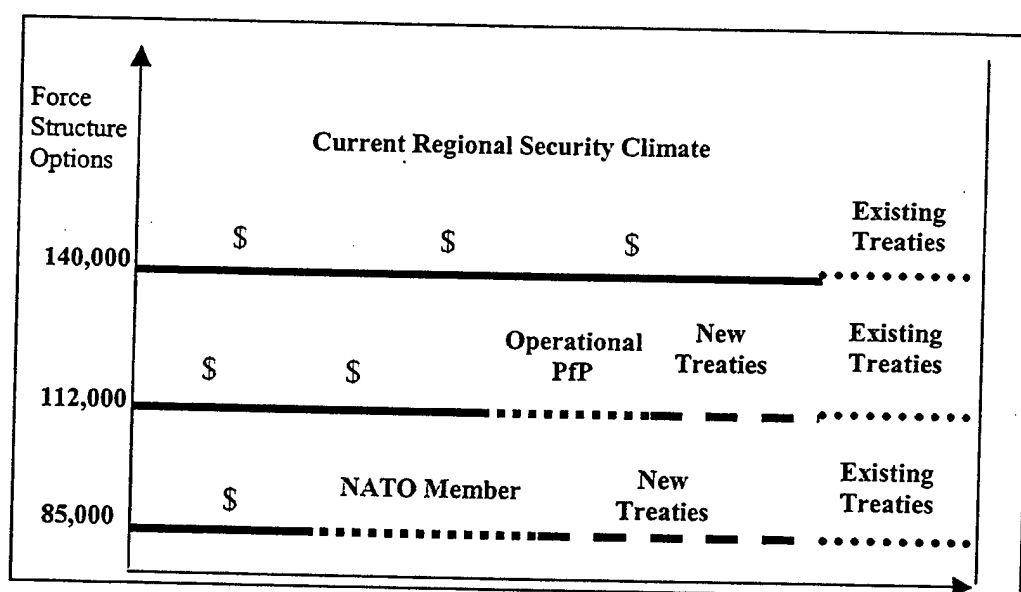


Figure 2. Answering the Question of National Defense Needs.

The financial effort required for reshaping and modernizing the Armed Forces will be ensured by budgetary allocations in compliance with the development of the national economy.

VII. A FORECAST OF ROMANIA'S DEFENSE EXPENDITURES

A. AN ECONOMIC FORECAST

Romania's past difficulties in implementing economic reform suggest that any projection of its future economic prospects be viewed with caution. However, Romania's latest efforts have, in fact, resulted in a decline in inflation over the past years, increased fiscal discipline, and increased reliance on market mechanisms. These developments, although not yet indicative of a sustained positive trend, suggest the examination of a possible path for future GDP growth.

For planning purposes, the MoND asked the MoF for an assessment of Romania's GDP for the next ten years. The figures received from the MoF shows a moderate growth at a rate of 2 percent per annum for 2000 and 2001 followed by a growth of 3 percent per annum up to 2007. This projection is considered to be a realistic approach if we take into consideration that IMF forecasted for Romania a growth rate of 3 percent for 2001 and 4 percent for 2002. Projections of the GDP forecast for future years is shown in Table 1.

Year	2000	2001	2002	2003	2004	2005	2006	2007
GDP (Bill.)	\$39.7	\$40.5	\$41.7	\$43.0	\$44.3	\$45.6	\$46.9	\$48.3

Table 1. Forecast of GDP.

This projection helped to define both the likely range of possibilities as well as depict the dire nature of Romania's present point of departure for defense restructuring. It portrays a plausible GDP trajectory within which future defense spending must be defined.

B. IMPACTS ON ROMANIAN DEFENSE BUDGET

Due to the commitment of the Parliament to approve a defense budget for the year 2000 of approximately 1.8 percent of the projected year 2000 GDP, Romania's defense budget is comparable to other continental European allies. Given current economic conditions, the current portion of the GDP allocated to defense is unlikely to increase greatly over the next six years. As the graph in Figure 3 shows, in terms of the percentage of GDP currently apportioned to defense, Romania approaches the NATO European average of 2.2 percent.⁶⁹

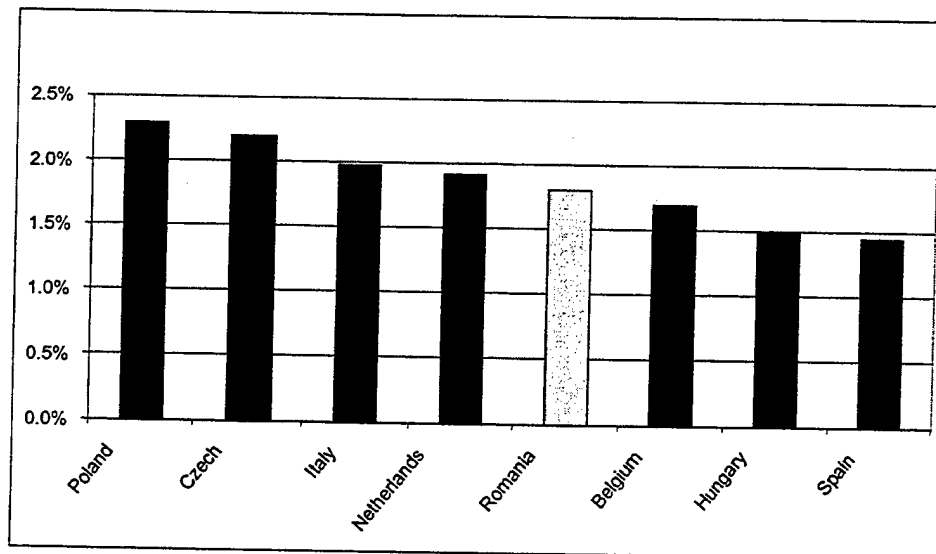


Figure 3. Percentage of GDP Spent on Defense.

Moreover, further contraction in the Romanian economy this year could increase internal pressures for reducing the overall defense budget. As a result, Romania will be hard pressed to sustain projected defense spending, given the pressure to restrict public sector expenditures. Any reforms will take place under the assumption that public sector

⁶⁹ Data for the graph are derived from series appearing in SIPRI statistics. Available (Online): [http://first.sipri.org/db/irsis_milex_mum], 22 March 2001.

spending will remain flat or even shrink in the upcoming years. Therefore, over the short and medium term, any costs incurred in restructuring the armed forces will have to be based primarily on the reallocation of resources and cost offsets.

The restructuring measures that Romania faces in the near term fall into four broad categories: personnel reductions, reductions in equipment holdings, unit/command deactivations, and infrastructure and stockage divestiture. All these actions will cost money up-front before larger, permanent savings can be realized over time.

C. DEFENSE BUDGET PROFILE

The defense budget as it was projected for the framework action plan started from a figure of 620 million dollars in 2000, which represented 1.55 percent of the forecasted GDP for that year (39.7 billion dollars). Authoritative figures for the GDP show a gradual but steady rise in the GDP for the year 2007, predicted to be 48.3 billion dollars as it is shown in the content of this chapter. Using these facts as a base assumption, a number of budget profiles have been projected.

1. A Steady Increasing Budget

In this case, the defense budget shown in Table 2 was considered to rise at a steady rate of 0.05 percent of the GDP annually from a 2000 base of 1.55 percent of the GDP to a figure equal to 1.9 percent of the GDP in 2007.

Year	2000	2001	2002	2003	2004	2005	2006	2007
Budget (Mill.)	\$620	\$650	\$690	\$730	\$780	\$820	\$870	\$920

Table 2. Steadily Increasing Budget.

2. An Enhanced Steadily Increasing Budget

The defense budget should rise at a steady rate of 0.05 percent of the GDP annually from the current government figure of 1.7 percent of the GDP in the year 2000 to 2.05 percent of GDP in 2007, as shown in Table 3.

Year	2000	2001	2002	2003	2004	2005	2006	2007
Budget (Mill.)	\$670	\$710	\$750	\$800	\$840	\$890	\$940	\$990

Table 3. Enhanced Steadily Increasing Budget.

3. An Optimum Budget

This assumption started from a figure of approximately 1.8 percent of the GDP in the year 2000 and finishing at 2.2 percent of the GDP in the year 2007, as shown in Table 4.⁷⁰ The trend of this budget line shows that initially defense spending remains flat and then rises with an upturn in the GDP after the year 2002. After reaching the level of 2.2 percent in 2005 defense spending keeps a flat rate up to 2007.

Year	2000	2001	2002	2003	2004	2005	2006	2007
Budget (Mill.)	\$710	\$730	\$770	\$840	\$890	\$1000	\$1040	\$1070

Table 4. Optimum Budget.

After long debates between the executive and legislative branches, the third option was agreed upon. It was a difficult decision to make but considered as feasible when taking into account that IMF forecast shows a growth rate of Romania's GDP of 3 and 4 percent for the year 2001 and 2002 respectively. At the same time, the need to accomplish the strategic objective of joining the Alliance contributed in a great measure to this decision.

⁷⁰ Degeratu, Constantin, FARO 2005-2010: The Path Ahead for the Romanian Armed Forces, *Military Technology*, Bonn, October 1999, Available (online): [<http://proquest.umi.com/pqdweb>] 15 March, 2001.

D. BUDGET DISTRIBUTION

Within the defense budget, personnel, equipment, operation and maintenance costs were the three main areas of expenditures.

Military and civilian personnel costs are made up of salaries, individual training costs and the administrative costs of supporting those individuals. The budget share for these expenditures should be in a range of 35 – 40 percent.

The equipment vote is made up of that expenditure which goes towards procuring, modernizing or leasing equipment for the Armed Forces. The budget share for this expenditure should be in the range of 35 – 40 percent.

Operating and maintenance costs are the necessary expenditures on training and logistics needed to deliver a given military capability. There are minimum criteria for each share of the stated military capabilities reflecting the level of operational readiness. The budget share for this expenditure should be in the range of 30 – 20 percent.

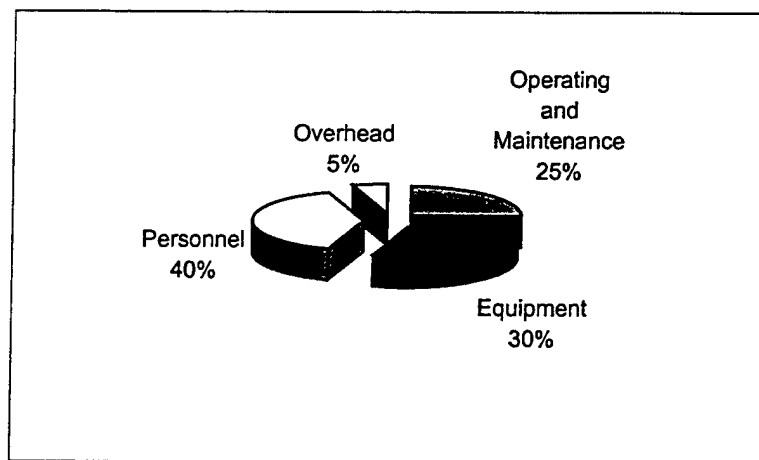


Figure 4. The Target Budget Balance.

For the first few years it is not possible to balance the budget in desired portions simply because some of the adjustments have not been gradual, particularly in the personnel area. However, by the year 2005, the budget is intended to be a balance between the key areas shown in Figure 4. This distribution compares favorably with what most NATO nations spend.

E. DEFENSE PROCUREMENT ACCOUNT

Long term procurement planning is critical to the Romanian goal of achieving NATO compatibility and modernization. Procurement of NATO interoperable platforms and systems are critical to Romania's ability to conduct operations with NATO allied and partner militaries.

Romania's programmed procurement account is significantly over committed and will have to be reduced to come within the defense budgets projected for the year 2000 and beyond. A sustained modernization program is also essential to improve force capabilities as well as readiness. The main problem is that the MoND must develop a long-term procurement strategy that can be supported by a reasonable level of spending. To do this within the projected defense spending levels, Romania must concurrently contain personnel costs and reduce equipment levels.

A sustained increase in procurement spending is a worthwhile tradeoff in terms of actual defense capability when weighed against excess personnel, aging equipment and high installation maintenance. These are the essential choices for modernizing Romania's forces and making them capable of operating effectively with NATO forces.

VIII. CONCLUSIONS

A. SUMMARY

With the end of the Cold War and the emergence of new democracies in Central and Eastern Europe following the Warsaw Pact dissolution in 1991, there was a need to establish a new security architecture in and for Europe and reconsider the existing military institutions because the West also intended to promote security and stability in Europe and expand the democratic system and values. NATO surviving these exciting times turned out to be the security and defense framework of Europe. NATO had to change and adapt its internal civil and military structures, and reshape its posture of forces and echelons for combat and peace support operations. The Alliance also redefined its attitude towards other nation states, players in the complex international arena, accepted three new members, and declared its policy of enlargement.

The Washington Summit reaffirmed the "opened door" NATO policy for other nations to join in the future. As a consequence of the lessons learned during the process of accession, discussions with the new members, at this summit NATO, introduced the MAP for the aspirant countries as an instrument in assisting them to develop forces and capabilities that could operate with NATO under the New Operational Concept. MAP also defined what aspirants need to accomplish on the path to NATO membership.

Facing the new political and economic instabilities and security risks, Romania, like other Central and Eastern European countries, started to seek guarantees and insurance for its security. These guarantees can be received only in an alliance with the

system of collective defense that has proved its valability. This alliance proved to be NATO.

Romania experienced a violent revolutionary change as part of the democratic changes that took place in Europe. The victory of the 1989 Revolution has opened the path to democratic reforms. The new internal political environment changed by putting into place political pluralism and the market economy.

Since 1989, successive governments have sought to build a market economy. Parliament has enacted laws permitting rapid privatization or restructuring of a large number of government enterprises. After years of experiencing high inflation, economic decline and large trade and fiscal deficits, Romania's economy is finally showing signs of recovery.

The post-communist evolution of the new democracies had different dynamics, but the foreign policy of those countries was and still is focused on the same strategic objective: NATO integration. For achieving this strategic objective, Romania started the process of reforming its military institutions. The reform was focused mainly on the defense planning process or resource allocation and reorganization of the Armed Forces. In this respect, discussion on defense policy implications on the defense resource allocation process highlighted the important role that defense forces play in safeguarding national interests; a role that they can only play effectively if they have the requisite military capability. Military capability involves readiness force structure sustainability and modernization.

The effect of defense expenditures should be a major concern for policy makers. There is no consensus on the effect of different levels of expenditures on the economy and on "how much is enough for defense". An optimal defense policy should provide the achievement of security goals without imposing a burden on the economy. Efficient planning and management of resources allocated for defense may alleviate this burden. For this it is necessary that the defense policy makers should have the capacity to conduct effective policy analysis and evaluation. The capacity of conducting policy analysis requires skilled staff capable of interpreting economic and other quantitative analysis, appropriate management information systems, and other resources necessary for performing these kinds of tasks.

The resource allocation process was reviewed through the analysis of the contemporary budgeting systems. Among these systems, PPBS was given more attention in the analysis due to the fact that this was designed specifically for defense. PPBS encompasses most features of the other systems designed for improving efficiency in resource planning and management and was analyzed through its three phases: planning, programming and budgeting. PPBS emphasizes the role of rational analysis to justify programs. Development of the defense budget involves planning and review of plans, developing and evaluating programs, reviewing programs to take into account the financial constraints, and budgeting. The above would not be possible without considering within and outside defense.

After years of looking for a system that could solve the defense allocation problem, Romania has opted for a system much like of other NATO member's systems. The new system introduced can be summarized as follows: based on the assessment of

the threats to national security and national interests a strategy is adopted, requirements of the strategy are then estimated and transferred into programs, programs are developed in packages which should ensure the execution of the strategy and finally, the costs of approved programs are budgeted.

The major documents, which constitute the basis of the defense planning process are the NSS, the White Paper, the NMS and Strategic Directives. The NSS evaluates the international security environment, defines the objectives and interests as well as external and internal risks, and gives directions of action to implement the strategy. The Defense White Paper provides the governmental framework for the implementation of the defense portion of the NSS. From the NSS and the White Paper, every institution and agency involved in national defense develops its own strategy, programs and plans. The NMS delineates its principles, objectives, operational concepts, strategic missions, and organization of the Armed Forces, including its civilian control, command arrangements, training and principal equipment. Strategic Directives lay out the methods of defense planning, military planning (strategic and operational) and defense programming.

In implementing the multi-year planning system, Romania received U.S. advice. The first multi-year planning effort was conducted between April and October 1999. This effort was crucial for Romanian Armed Forces in committing to a true process of fiscally constrained force planning.

The Romanian Armed Forces reform process started immediately after 1989 and covered three stages. These stages were mainly focused on structural reform,

reorganization of the armed forces with units similar to those belonging to NATO members, and the reorganization of command and staffs in a modular way.

The introduction of MAP by the Washington Summit called for aspirants to develop those defense capabilities that directly relate to NATO missions.

Romania has further worked to develop a national defense capability and force structure for future years. The result is a program of restructuring the armed forces. This program addresses both the decision-making mechanism within the MoND and the development of a capable, potent, effective and affordable armed force structure.

The process was a cyclic iterative one based on the analysis of political goals, financial constraints and military capability requirements. Once the operational requirements have been established, the effort to design the national defense dimension was based on costs parameters between two budget limits that have provided strict discipline during the planning process. Afterwards, the budget profile has been related to the force structures' dimensions designed in accordance with the NSS and the NMS.

For planning purposes, an estimation of the defense budget was necessary. All the scholars agree that defense expenditures depend upon the economic strength of the nation. In this context, Romania's past difficulties in the economic domain suggest that any projection of its GDP growth should be viewed with caution. Thus, the MoND asked the MoF for an assessment of Romania's GDP for the next ten years that should be moderate and realistic. Today this assessment seems to be feasible when looking at the IMF forecast of Romania's GDP growth rate (3 percent for 2001 and 4 percent for 2002).

This projection helped planners to define both the likely range of possibilities as well as establish the point of departure for defense restructuring.

By the commitment of the Parliament in approving a defense budget for the year 2000 of approximately 1.8 percent of the projected GDP, Romania approaches the NATO European average of 2.2 percent. Using the GDP forecast, the MoND analyzed three different defense budget profiles. These budget profiles were established and take into account different percentages of GDP allocated for defense at the beginning of the planning period. For the upcoming years the trend of the percentage allocated for defense was considered at a steadily increasing level of 0.05 percent. The defense budget profile adopted was the so-called "optimum budget" and was negotiated with the Government and Parliament based on the strategic objective of the integration of Romania into the Alliance.

The main areas of the defense budget are: personnel, equipment and operation and maintenance. Due to the complexity of the reorganization process and the financial constraints, a balance of the budget among these areas cannot be obtained for the first few years. This balance, comparable to that of most NATO members, it is intended to be obtained by the year 2005. In this balance, the main problems are given by personnel and equipment accounts. Personnel issues will be solved by the year 2003 through a process of downsizing, but procurement can be solved only by developing a long-term strategy that can be supported by a reasonable level of spending. Procurement planning is critical for Romania to achieve the goal of compatibility and interoperability with NATO.

A capable, potent and effective Armed Force structure is a serious asset for Romania to qualify for NATO membership. Romania's eventual integration into NATO will directly contribute to strengthening the Southern flank and enhancing stability and integration in a region generally marked by uncertainty and insecurity.

B. RECOMMENDATIONS

This thesis attempted to provide an analysis of the reorganization process of the Romanian Armed Forces in the context of the implementation of the new resource allocation and management system based on requirements imposed by NATO for future membership status. Starting from the beginning of these processes, it has been proven that there is a need for improvement to sustain the Romanian Armed Forces capability to perform its ultimate mission of providing national defense.

The improvement needed for recommendations that could be adopted at the strategic level are as follows:

- The MoND should seek the benefits of the strategic planning process and create from the strategic planning a culture among its department heads and commanders at all levels. If adopted, this would enable the decision makers to anticipate problems well in advance and respond appropriately.
- The MoND should develop an information technology system which would permit the automatization of the planning process. The implementation of such a system combined with other management techniques would guarantee good results.
- The MoND should implement an effective human resource policy. The good results in future strategic planning cannot be obtained without adequate training. Moreover, the selection of the people should be reviewed.

C. FURTHER RESEARCH

This study reviewed the reorganization process of the Armed Forces in the context of the implementation of the new resource allocation and management system in

a broad context for establishing a basis of understanding of the major problems Romania is facing in the area of defense. From this study, there are other analyses that could be developed.

In the content of the study, it was shown that defense expenditures might have a positive effect on the economy of a country. Following this idea, a further analysis could look at the impact of defense spending on the national economy of Romania. Another topic for a study could be civil-military tensions provoked by the downsizing of the military and measures that the civil society may take for reducing these tensions.

The competition between defense and the other social and economic domains within a society with limited resources always provides good opportunities for analysis.

BIBLIOGRAPHY

- Betts, Richard, *Military Readiness: Concepts, Choices, Consequences*, The Brookings Institution, 1995.
- Bozeman, Barry, *Public Management and Policy Analysis*, St. Martin's Press, 1979.
- Brenner, Michael, *NATO and Collective Security*, St. Martin's press, Inc., 1998.
- Claes, Willy, *NATO and the Evolving Euro-Atlantic Security Architecture*, NATO Review, No.1, January 1995. [<http://www.nato.int/docu/review/articles/9501-1.html>] February, 2001.
- Croft, Stuart, Redmont, John, Wyn Rees, G., Webber, Mark, *The Enlargement of Europe*, Manchester University Press, 1999.
- Deger, Saadet, *Military Expenditure in the Third World Countries: The Economic Effects*, Routledge and Keegan Paul, 1986.
- Degeratu, Constantin, *FARO 2005-2010: The Path Ahead for the Romanian Armed Forces*, Military Technology, October 1999, [<http://proquest.umi.com/pqdweb>] March, 2001.
- Dillon, G. M., *Defense Policy Making: A comparative Analysis*, Leicester University Press, 1988.
- Downs, George W. and Larkey, Patrick D., *The Search for Government Efficiency*, Temple University Press, 1986.
- Dunn, Keith and Staudenmaier, William, *Strategy for Survival*, Foreign Policy 52, Fall 1983.
- Goldgeiger, James M., *NATO Expansion: The Anatomy of a Decision*, The Washington Quarterly, Winter, 1998.
- Goodby, James, *Can collective Security Work? Managing Global Chaos*, United States Institute of Peace, 1998.
- Gwartney, James D., *Microeconomics: Private and Public Choice*, The Dryden Press, 1995.
- Hitch, Charles J. and McKean, Roland N., *The Economics of Defense in the Nuclear Age*, Athenaeum, 1986.

- Kay, Sean, NATO and the Future of European Security, Rowman and Littlefield Publishers, Inc., 1998.
- Linz, Juan J. and Stepan, Alfred, Problems of Democratic Transition and Consolidation, The Hopkins University Press, 1996.
- Looney, Robert E., The Economics of the Third world Defense Expenditures, JAI Press Inc., 1994.
- Nachmias, David, Public Policy Evaluation, St. Martin's Press, 1979.
- NATO Information Service, London Declaration on a Transformed North Atlantic Alliance, July 1990. [<http://www.nato.int/docu/comm/c91067a/htm>] January, 2001.
- NATO Office of Information and Press, NATO Handbook, 1999, Appendix 8.
- NATO, An Alliance for the 21st Century, Press Communiqué NAC-S(99)64, Issued by the Heads of States and Governments Participating in the Meeting of NAC in Washington, D.C., 24 April 1999.
- NATO, Declaration of the Heads of States and Governments issued by NAC in Brussels, Belgium, Press Communiqué M-1(94)3, 11 January 1994.
- NATO, Final Communiqué, North Atlantic Council, M-NAC-2, No. 6, 1 December 1994. [<http://www.nato.int/docu/comm/c941201a.htm>]. January 2001.
- NATO, Study of NATO Enlargement, Brussels, 1995.
- Nelson, N., Daniel, Civil Armies, Civil Societies, and NATO's Enlargement, Armed Forces and Society, Fall, 1998.
- Olvey Lee D., The Economics of National Security, Avery Publishing Group, 1984.
- Premchand, A., Government Budgeting and Expenditure Controls: Theory and Practice, International Monetary Fund, 1983.
- Solomon, Gerald, The NATO Enlargement Debate, 1990-1997: Blessings of Liberty, Praeger Publishers, 1998.
- Stoner, James A. F., and Freeman, Edward R., Management, Prentice Hall Inc., 1992.
- Walker, Warren E., and Fisher, Gene H., Public Policy Analysis, Encyclopedia of Operations Research and Management Science, Ed. Saul I. Gass and Carl M Harris, Kluwer Academic Publishers, 1996.

Washington Summit Communiqué: Issued by the Heads of States and Governments Participating in the Meeting of the North Atlantic Council in Washington, D.C. on 24th April 1999, [<http://www.nato.int/docu/pr/1999/p99-064e.htm>]. March, 2001.

Wildawsky, Aaron B., The New Politics of the Budgetary Process, Addison-Wesley Educational Publishers Inc., 1997.

THIS PAGE INTENTIONALLY LEFT BLANK

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center.....2
8725 John J. Kingman Road, Suite 0944
Ft. Belvoir, VA 22060-6218

2. Dudley Knox Library.....2
Naval Postgraduate School
411 Dyer Road
Monterey, CA 93943-5101

3. Professor Robert E. Looney.....1
Naval Postgraduate School
Monterey, CA 93943-5101

4. Professor Peter C. Frederiksen.....1
Defense Resource Management Institute
Monterey, CA 93943

5. Alexandru Cotoara-Nicolae.....1
Ministerul Apararii Nationale
Izvor 3-5, Sector 5
Bucuresti
Romania